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Eradication of poverty and other development issues: industrial development cooperation

Industrial development cooperation

Note by the Secretary-General

The Secretary-General hereby transmits the report of the Director-General of the United Nations Industrial Development Organization (UNIDO) in accordance with General Assembly resolution 59/249 of 7 March 2005.

* A/61/150 and Corr.1.

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Summary

In accordance with General Assembly resolution 59/249 of 22 December 2004, the report of the Director-General of the United Nations Industrial Development Organization (UNIDO) on industrial development cooperation highlights the implementation of programmes in the priority areas outlined in its medium-term programme framework, its cooperation with other organizations of the United Nations system and its contributions to the New Partnership for Africa's Development (NEPAD).

UNIDO continues to adapt its responses to the changing environment of industrial development and the requirements of Member States with a particular focus on its three thematic priority areas: poverty reduction through productive activities, trade capacity-building, and energy and environment. South-South cooperation is given particular attention as a means of promoting industrial development and stimulating the growth of trade and technology diffusion to support the achievement of the Millennium Development Goals, especially in Africa and the least developed countries.

The report also highlights the support of UNIDO for NEPAD and the steps it is taking to strengthen its partnerships with other bodies in the United Nations system and contribute to greater programmatic coherence in the development activities of the system, including at the field level.

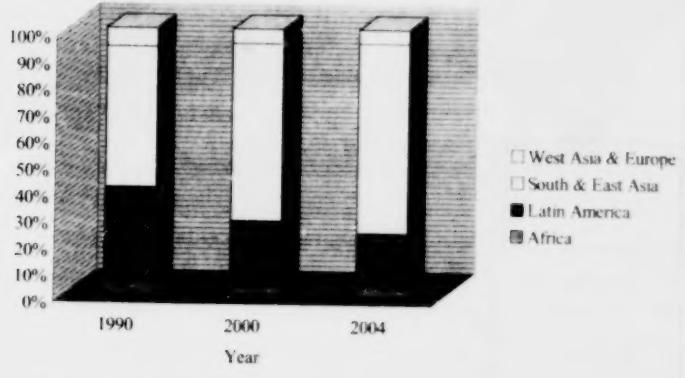
I. The changing global landscape of industry

A. Introduction

1. The pace and pattern of change in the global economy are creating an increasingly complex environment for industrial development. The internationalization of industrial production, trade, investment and technology is proceeding at an unprecedented but uneven pace, creating a growing industrial divide and widening disparities between developed and developing countries, and among developing countries themselves.

2. The United Nations Industrial Development Organization (UNIDO) *Industrial Development Report 2005*[1] noted that the developing countries accounted for about a quarter of global manufacturing value added, despite their remarkable growth during the 1990s. Within the group of developing countries, the share of South and East Asia increased from 54 to 72 per cent between 1990 and 2004. During the same period, the share of manufacturing value added of sub-Saharan Africa, excluding South Africa, remained stagnant at around 1 per cent, or a quarter of 1 per cent of world industrial production. The transition economies, meanwhile, saw a halving of their contribution to world industrial output at slightly over 3 per cent.

Distribution of manufacturing value added among developing countries
1995-2004



Source: UNIDO Industrial Statistics 2005

The growth of manufacturing production in developing countries has been accompanied by an increase in their share in the global trade in manufactures. Developing countries now account for around a third of world manufacturing trade, compared with 12 per cent in the 1980s. While much of this growth has been in trade between developing and developed countries, as firms in the latter have invested in the former and outsourced some of their production to developing countries, recent years have also witnessed a steady growth in South-South trade in

[1] United Nations publication, Sales No. 05.II.B.25.

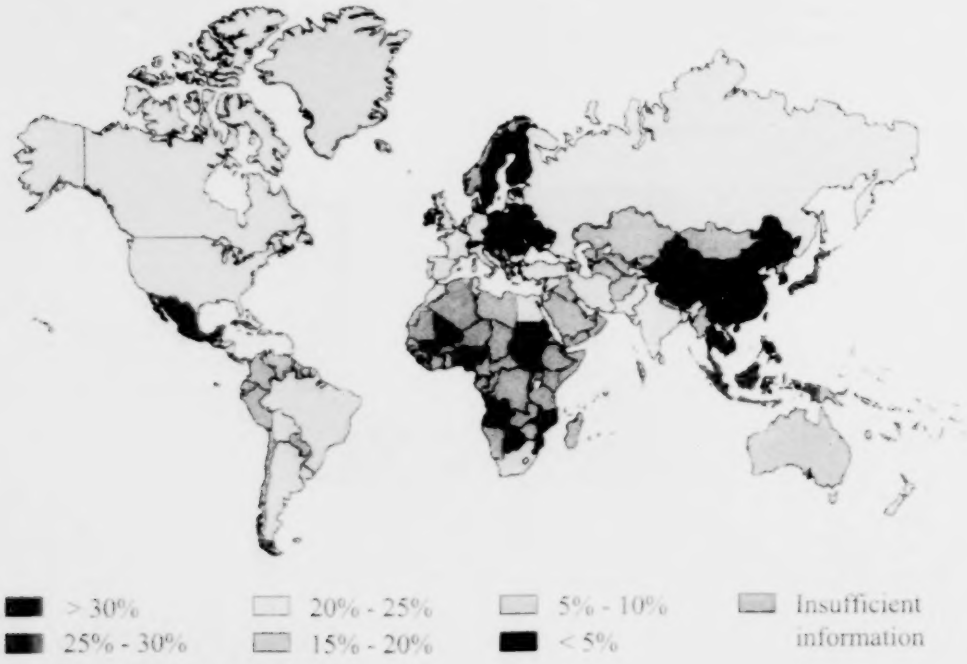
commodities and manufactures. This is gradually leading to the emergence of a new pattern of global interdependence along a North-South and a South-South axis.[2]

B. Industry, trade and investment

Regional patterns of industrial performance

3. Among the developing countries, major regional differences in industrial output exist. The East and South-East Asia regions lead the developing world in terms of the share of manufacturing value added in their gross domestic product (GDP) and in their annual rate of manufacturing value added growth. The figures below show the share of manufacturing value added in the GDP of various developing regions and their annual growth of manufacturing value added.

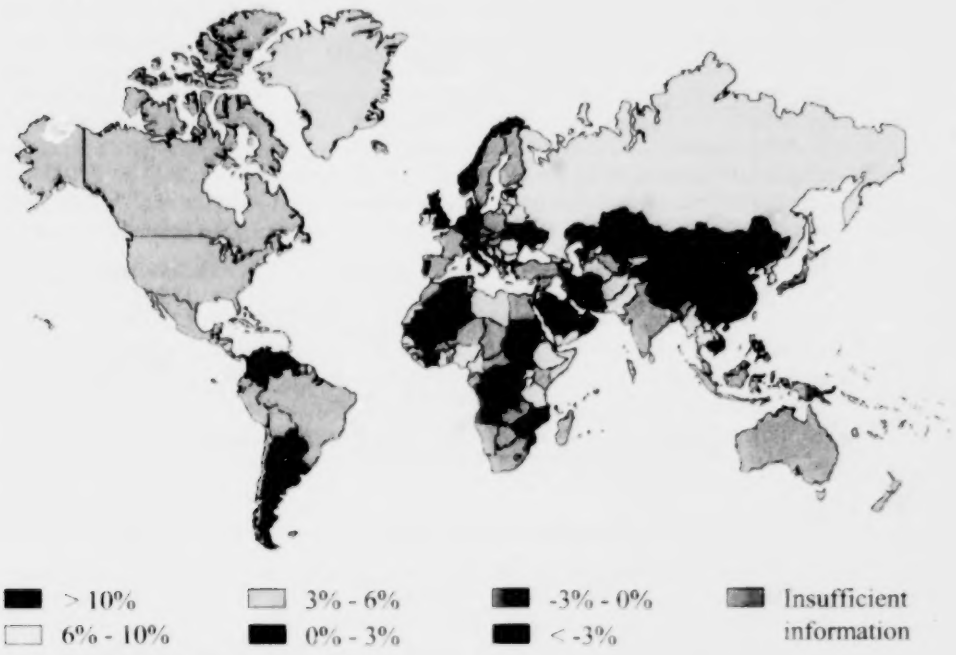
Share of manufacturing value added in GDP, 2004



Source: UNIDO Industrial Statistics 2005

[2] See *The International Yearbook of Industrial Statistics 2005*, United Nations Industrial Development Organization (Vienna, 2005).

Annual growth of manufacturing value added, 1999-2004



Source: UNIDO Industrial Statistics 2005

4. The industrial output of the Latin America and Caribbean region amounted to about a third of the Asian output in 2004, whereas in 1990 it was almost three quarters. Manufacturing value added shares of the Middle East and North Africa region, South Asia and the whole sub-Saharan Africa region are all of the same order of magnitude, ranging from 2 per cent of the world total for the first of these regions to less then 1 per cent for sub-Saharan Africa. While the output share of sub-Saharan Africa is modest, its value has increased by around one third since 1990.

5. The most remarkable change in the global industrial landscape is the emergence of China as an industrial powerhouse with its share of world industrial output tripling over the period of the 1990s.[3]

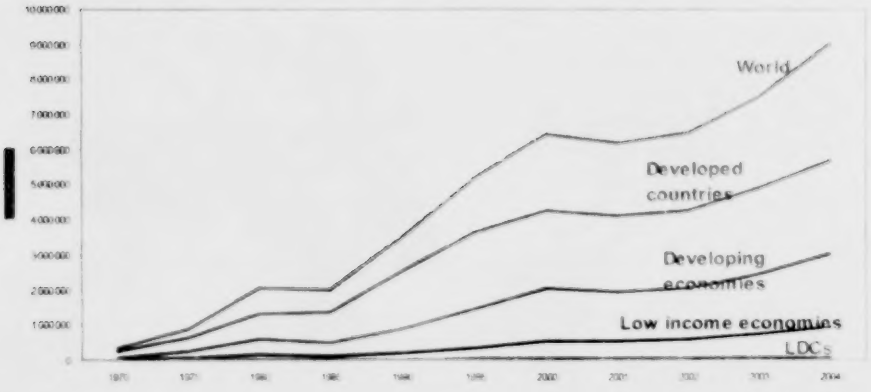
Trade in manufactures

6. Another major trend is the emergence of the South as a dynamic force in the new global trade map, having increased its trade as a group at a much faster pace than the North during the past decade. However, this development has been driven by the growing role of China and the first generation of newly industrializing countries in East Asia. If those countries were excluded, the figures for the South

[3] See *The International Yearbook of Industrial Statistics 2006*, United Nations Industrial Development Organization (Vienna, 2006).

would show a slower rate of export growth than for the developed economies, with their share in world exports remaining broadly stagnant since the 1970s.

World merchandise exports, 1970-2004



Source: UNCTAD, 2005

7. South-South trade in manufactures has recorded particularly strong growth, with manufactured exports growing at an annual average rate of 18 per cent in the period 1965-2003, approximately twice the rate of growth of agricultural exports and total world exports.[4] More recently, South-South trade in manufactures expanded rapidly, from 39 per cent of the South's total trade in 1995 to 46 per cent today, consistently exceeding the growth rates of both global trade and North-North trade. The bulk of this growth, particularly in trade in manufactures, has been fuelled by a number of Asian developing countries, principally the newly industrialized countries and China.

8. The scope for intensified South-South trade specifically between East Asia and other developing regions is considerable, especially in the light of rapid economic growth in many developing countries. However, a large part of East Asian trade is intraregional, with over 80 per cent of its manufactures traded within the region. The high proportion of medium- and high-technology products traded in East Asia reflects the high level of industrial integration within the region.

9. South Asia and the countries of the Middle East and North Africa have shown a modest increase in their share of manufactures in total exports, but technology-intensive manufacturing activities have remained stagnant. The sizeable share of oil-based industries in some Middle East and North Africa economies is a possible reason for the relatively low technological content of the region's manufactured exports.

10. The share of sub-Saharan Africa in world industrial output has remained at less than 1 per cent, with declining shares of South-South manufactured exports, total

[4] See *Trade and Development Report 2005* (United Nations publication, Sales No. 05.II.D.13).

exports, and medium- and high-technology exports. Despite various regional trade agreements, intraregional trade has expanded at a much slower pace than in South Asia, East Asia and the Middle East and North Africa.

11. Although Latin America has significantly changed its export structure towards more technology-intensive manufacturing activities, its share of manufactures in total exports increased only marginally. This is reflected in a decreasing share in world industrial output, with growth rates that are high in the region in historical terms but significantly lower than those observed in other areas of the developing world. Intraregional trade is growing more slowly than in sub-Saharan Africa, mainly owing to the priority given in the region to North-South agreements such as the North American Free Trade Agreement and the Central American Free Trade Area, over regional trade agreements to boost trade.

12. Both sub-Saharan Africa and Latin America have lost market share in their own regions for all product categories (including resource-based, low-, medium-, and high-technology products). These regions have been exposed to very strong competitive pressures from East Asia in labour-intensive and low-end manufactures. The situation is particularly disconcerting where regional trade agreements such as the Common Market for Eastern and Southern Africa and the Common Market of the South were not able to provide sufficient leverage and internal strength for facing increasing external competition.

II. Key issues in industrial development cooperation

13. Variations in the industrial performance of the different regions have been attributed to various factors, including: macroeconomic policies, public and corporate governance, regulatory frameworks, physical infrastructure, human and financial capital, productivity and competitiveness, and links to global value chains. Of particular relevance from the perspective of UNIDO are three key issues: productive capacity-building through enterprise development; strengthening of industrial capacities to compete, conform to market requirements and connect to global markets; and access to affordable energy and environmental protection.

Enterprise development as an engine of industrial growth

14. In most countries, the private sector accounts directly for more than three quarters of GDP. It is the main driving force of industrial development in virtually all countries and, through changing patterns of international production, investment and trade, it shapes the economic globalization process. A vibrant private sector, building on the combined strength of and linkages between large, medium, small and micro enterprises, is an essential prerequisite for triggering economic dynamism, enhancing productivity, transferring and diffusing new industrial technologies, maintaining competitiveness and contributing to entrepreneurship development and ultimately poverty reduction.

15. Many developing countries, especially the least developed countries, generate a disproportionate share of their industrial output from a relatively small group of very large enterprises, owned by the State, foreign investors or a few rich local entrepreneurs, that have few linkages with the rest of the economy. The majority of the non-agricultural workforce is employed or self-employed in a large number of micro- and small-scale enterprises, many of which are in the informal sector.

Relatively few of these enterprises are able to grow and become competitive in the national economy and in the international marketplace.

16. To address this challenge, pro-poor growth strategies are needed to remove policy-related and regulatory obstacles that impede local entrepreneurial initiatives, to strengthen entrepreneurial capabilities and provide access to finance, technical know-how and market information. Poverty reduction-oriented growth strategies should therefore aim at supporting the development of micro-, small- and medium-scale enterprises into dynamic, innovative and growth-oriented enterprises capable of competing in the national marketplace and possibly in international markets. Such strategies help create the necessary condition for sustaining economic growth by unleashing the underutilized assets of the economy and enhancing their potential for productivity increases. The goal must be to help poor people grow out of poverty while laying the foundation for the development of a modern and industrialized economy.[5]

Strengthening industrial capacities to trade

17. The evolution from protectionism to liberalization in the global trading system has offered significant opportunities for the growth of industry and trade in developing countries. However, tariffs and non-tariff barriers continue to impede manufacturing trade.

18. While tariffs on manufacturing trade in developed countries are lower than in developing countries, the tariffs imposed by developed countries on developing countries are significantly higher than those charged among developed countries. Furthermore, high tariffs among developing countries continue to constrain the prospects for expanding South-South trade in manufactures. Arguments that such liberalization will reduce government revenue will need to be considered in the light of the broader development perspective of such liberalization, its dynamic effects via productivity growth in the long run, and the reduced corruption and rent-seeking that is expected to accompany liberalization.

19. However, in many cases developing countries have failed to reap significant benefits from increased trading opportunities resulting from expanding markets and concessionary schemes. This is not primarily due to tariff barriers but largely to the lack of productive capacity needed to ensure the necessary quality and quantity of supply. It is often also related to the inability of exporters in those countries to ensure and prove conformity of their potential export products with international standards.

20. If developing countries are to succeed in enhancing their exports and increasing their share in global manufacturing value added at a time when manufactures account for 75 per cent of global trade, their enterprises need to be able to produce according to client country standards and technical regulations, and their products must prevail in highly competitive markets. They need to focus on subsectors with a high export potential such as agro-industries, including the production of specialty (e.g. organic) products. Developing countries also need to achieve higher levels of productivity through the use of modern management

[5] See "Industrial clusters and poverty reduction", UNIDO (Vienna, 2004); "A path out of poverty", UNIDO (Vienna, 2003); and "Voices of future entrepreneurs from Uganda and Mozambique", UNIDO (Vienna, 2006).

techniques and economies of scale, while applying new technologies that reduce the pollution intensity of the manufacturing sector.

21. Developing country enterprises, and especially small and medium-sized enterprises (SMEs), need to increase their supply capacity and build capabilities to ensure quality, competitiveness and conformity with importer-mandated product standards if they are to trade on global markets. This involves both increased investments at the enterprise level and government backing in ensuring that the technical support services in the area of standards, metrology and conformity testing are available. Equally important are support services to SMEs through productivity and technology extension services, training, support for export consortia and assistance for cluster development. The Doha World Trade Organization Ministerial Declaration, adopted on 14 November 2001, confirmed that "technical cooperation and capacity-building are core elements of the development dimension of the multilateral trading system", and further recognized that sustainably financed technical assistance and capacity-building have important roles to play. Such assistance is primarily needed in the fields of technical barriers to trade, sanitary and phyto-sanitary measures, and trade-related intellectual property rights.

22. The prevailing non-tariff barriers and sector-specific trade-distorting policies continue to restrain industrial development in the least developed countries and resource-based economies in particular, and influence the prospects for poverty reduction and South-South trade. Furthermore, the costs of financing international trade in least developed countries are high, especially in sub-Saharan Africa, not only because the financial system is weak, but also because the transaction costs of financial intermediation are high. These high transaction costs reflect the underlying risk associated with political and economic instability, weak legal systems and informational problems.

23. To make trade work for the poor, the response of the real economy to trade opportunities would need to be stimulated. Supply capacity development and technological upgrading constitute the main priorities for better integrating the low-income countries and least developed countries into global trade. Without such supply capacity they will be unable to benefit from the new market opportunities arising from market liberalization and preferential market access in regional trade arrangements or to developed countries. Furthermore, in many countries there is still a need for closer alignment of industry, agriculture and trade with national poverty reduction strategies. In this regard, the urgent need for capacity-building support and initiatives by the multilateral and bilateral development cooperation system is clearly in evidence.

Energy availability and renewable energies

24. Energy scarcity, especially in rural and remote areas, hampers economic and social development. More than a third of the world population still lives without access to modern energy supplies. At the same time, the growing demands for energy in the newly industrialized countries, China and India, continuing high demand in industrialized countries and recent natural disasters are increasingly impacting global energy markets.

25. The increased attention to the development and application of renewable energy is therefore timely. With rising energy prices, renewable energy based on water, wind, biomass, photovoltaic and solar thermal energy is gaining ground in

many countries. So are measures to improve energy use in all sectors of the economy, including in industry.

26. The introduction of renewable forms of energy is essential to helping communities meet their basic household needs, especially in rural areas. Renewable sources of energy also facilitate the achievement of long-term energy sustainability, create employment and generate income on and off the farm. They support increased agro-processing activity, raise agricultural productivity, elevate living standards and reduce migration of labour from rural areas. They also promote and protect the environment by reducing carbon dioxide emissions, the use of fossil fuels for power generation, deforestation, land degradation and pollution.

Environmental implications and responsible competitiveness

27. *The Millennium Development Goals Report 2006*[6] stresses that rapid economic growth can have severe social and environmental implications in various fields. Rapid urbanization and natural resource depletion often contribute to environmental degradation and ever-growing slums, eventually hampering both further economic development and a nation's security and prosperity.

28. It has long been recognized that the advancement of a nation's competitiveness depends not only on increasing its industrial output and income, but also on socially and environmentally sustainable poverty reduction strategies and policies. The emergence of a growing number of responsible entrepreneurs and SMEs in many countries is fostering a spirit of "responsible competitiveness", helping to balance economic, social and environmental considerations and putting these countries on a path of sustainable development. Business policies and practices based on a strong sense of corporate social responsibility are key elements in achieving "responsible competitiveness".

29. While there is growing conceptual clarity regarding corporate social responsibility, technical assistance activities in this field remain limited. A major challenge is the lack of awareness and capacities among SMEs to adopt a corporate social responsibility approach to their management planning and daily operations. Many find it difficult to respond to "corporate social responsibility requirements" from their customers and counterparts, often in the form of complicated codes of conduct, or they face difficulties in accessing global supply chains and lose the opportunities offered by the market to "early adopters" of corporate social responsibility.

30. National and local governments also often face difficulties in finding the most adequate means of formulating and implementing policies and legislative frameworks in the areas of sustainable and socially responsible business conduct, environmentally sound production methodologies, and renewable energy choices, without creating unintended hurdles to wealth creation and economic growth.[7]

Promoting South-South cooperation

31. Overall, the technological capabilities of the South have been progressing at an unprecedented pace, especially in the more advanced developing countries. This is

[6] United Nations publication, Sales No. E.06.I.18.

[7] See "Responsible trade and market access", United Nations Industrial Development Organization (Vienna, 2006).

particularly true in the case of East Asian countries, India and Latin America, and in the fields of biotechnology, nanotechnologies, clean technologies and ICTs. Yet, technological capabilities and skills are still weak in many least developed countries.

32. While North-South trade-related technology diffusion typically has a positive impact on productivity in high-technology industries, South-South trade raises productivity primarily in low-tech industries. In the context of dynamic comparative advantages, it is therefore evident that an exclusive reliance on technological diffusion related to South-South trade is likely to retard economic transformation and development of the South and increase the technology divide in critical areas of poverty reduction, owing to reduced research and development spillovers from the North.

33. An exclusive focus on low-tech industries represents the "low route" to development, with demand for these goods growing more slowly in the world market than demand for medium- and high-tech products. Dynamic export industries of developing countries serving world markets need to focus on higher, mainly medium-technology, industries where high growth opportunities exist in the world market.

34. However, it is obvious that not all dynamic growth industries and technologies are relevant for the vast majority of the world's population, living in rural areas, being bystanders in the global technology evolution process. Development strategies for rural livelihood enhancements are often low-tech focused and can strongly benefit from South-South technology diffusion and trade. Rural income and employment generating initiatives are needed in a number of areas, such as enhancing agricultural productive activities, intensifying agro-processing for food security, producing basic goods, reducing post-harvest losses, providing low-cost housing, and using environmentally friendly local sources of renewable rural energy and basic infrastructure.

35. Non-agro-based SMEs can also benefit significantly from integrating into innovative knowledge networks to make the best use of available complementarities within the South. Nevertheless, information on viable approaches to replicating best practice in processing, design and marketing is often missing, and an extensive use of information and communication technologies (ICTs) could play a major role in unlocking the industrial development potential through effective knowledge dissemination within new South-South industrial innovation systems.

36. Such systems could have a significant impact on the development of renewable sources of energy, which play an important role in making dramatic improvements in the quality of rural life. Depending on the appropriate energy solutions and the productive opportunities identified, business-related support can encompass installation, demonstration and promotion of selected energy technology options, giving particular attention to local assembly and/or manufacture of equipment, capacity-building of local partners or maintenance and repair facilities.

37. The experience of developing countries in business development and energy delivery models, with particular emphasis on income-generating uses of the energy, may be shared within the framework of South-South cooperation and could be accompanied by the establishment of appropriate support networks for further replications.

38. One significant channel of technology transfer and adaptation is foreign direct investment (FDI), which is generally expected to bring in advanced skills, know-how and technology that can be transferred to the host country by setting up training and other facilities. However, the extent to which FDI can have an impact through local linkages, upgraded technology and enhanced local capabilities depends on the interaction of trade and competition regimes, conditions attached to the operation of foreign firms, corporate strategy and resources of transnational corporations, as well as the development of local factor markets and institutional frameworks.

39. A vital challenge, especially in least developed countries, is therefore the continued strengthening of local business linkages, SME clusters, business partnerships, rural energy availability and the further improvement of institutional and policy frameworks, in order to provide fertile ground for such spillovers from FDI, innovation networks and other forms of technology transfer.

40. The ongoing interest in industrial clusters and business partnerships has highlighted the role of the local economic environment in terms of firms trading and competing together in ways that strengthen the ability of individual companies to thrive. The business environment hereby focuses on key factors, which underlie business success at the regional and national levels, in particular the health of the macroeconomic environment, the quality of public institutions and the ability of firms to innovate and adopt new technologies.

III. Addressing key industrial issues: the response of the United Nations Industrial Development Organization[8]

41. Given the rapidly evolving patterns of industrial development, the key issues that need to be addressed to achieve industrial development and the high priority accorded to advancing the global development agenda embodied in the Millennium Development Goals, UNIDO has decided to focus its work on three thematic areas where its contribution can be most effective:

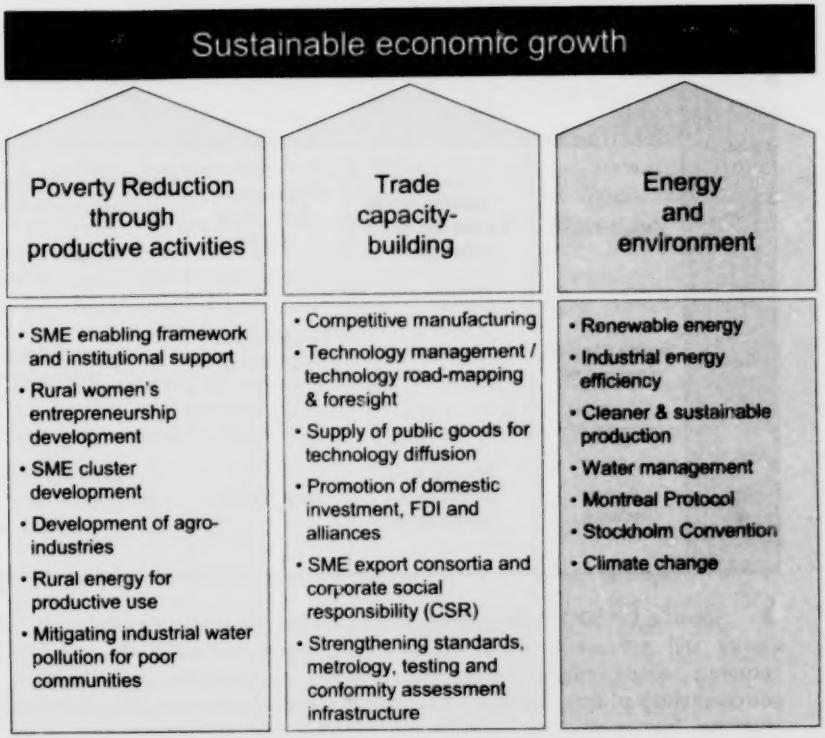
(a) Poverty reduction through productive activities;

(b) Trade capacity-building;

(c) Energy and environment.

[8] See updated "Medium-term programme framework, 2004-2007", United Nations Industrial Development Organization (Vienna, 2006).

Thematic priorities of UNIDO


Sustainable economic growth
Poverty Reduction through productive activities
Trade capacity-building
Energy and environment
• SME enabling framework and institutional support
• Rural women's entrepreneurship development
• SME cluster development
• Development of agro-industries
• Rural energy for productive use
• Mitigating industrial water pollution for poor communities
• Competitive manufacturing
• Technology management / technology road-mapping & foresight
• Supply of public goods for technology diffusion
• Promotion of domestic investment, FDI and alliances
• SME export consortia and corporate social responsibility (CSR)
• Strengthening standards, metrology, testing and conformity assessment infrastructure
• Renewable energy
• Industrial energy efficiency
• Cleaner & sustainable production
• Water management
• Montreal Protocol
• Stockholm Convention
• Climate change

Poverty reduction through productive activities

42. In the area of poverty reduction through productive activities, the aim is to help the poor earn a living and for the economy to grow through wealth creation. Particular emphasis is given to specialized programmes in entrepreneurship and private sector development.

43. The strategy of UNIDO for private sector development seeks to respond to the varying requirements of different target groups. It is based on the recognition that the specialized needs of, for example, sophisticated medium-sized information technology enterprises are worlds apart from the basic support requirements of rural microenterprises in food processing. Clearly, the heterogeneity of the SME sector precludes any "one-size-fits-all" support approach. The private sector support strategy of UNIDO is set out in the matrix below.

Target-oriented approach of UNIDO to private sector development

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	"Fair globalization"	Competitive insertion into national and global value chains	Regional and Global export markets	Corporate social responsibility and business partnerships SME Export Consortia	Business Environment & Institutional Support Services
[illegible]	Sustainable local development	Creating the "missing middle"	National market attempts in export markets	Cluster and Network Development	
[illegible]	Poverty reduction	Moving from survivalist into growth mode	Local Markets	Rural and Women Entrepreneurship & Human Security	

44. Specific UNIDO support programmes for private sector development include cluster and networking development; SME export consortia; the promotion of corporate social responsibility and business partnerships; rural and women entrepreneurship development; information support services; the promotion of enabling framework and institutional support; and investment and technology promotion services.

45. Cluster and networking development promote efficient systems of relations within industrial clusters (i.e. both among enterprises within the cluster and between these enterprises and support institutions) to enable small enterprises to achieve collective efficiency and competitive advantage. The programme has been implemented through technical cooperation projects in Ecuador, India, Jamaica, Mexico, Morocco, Nicaragua, Pakistan, Senegal, Tunisia and Zimbabwe. New projects are currently being developed for Ethiopia, the Islamic Republic of Iran and Viet Nam.

Cluster development and networking in India

A cluster development programme has been implemented in India directly targeting seven clusters and approximately 800 enterprises in textiles, handicraft, leather, pharmaceuticals and foodstuff. Its impact on beneficiary enterprises has been a significant increase in exports (approximately $8 million), domestic sales/subcontracting (approximately $3.5 million), and investment (approximately $8.5 million). An estimated $2 million worth of savings were triggered thanks to the introduction of technologies not previously available in the clusters. Sixty-three firms have obtained International Organization for Standardization (ISO)-related certifications and several hundred people participated in World Trade Organization-related workshops/presentations. Over 20 self-help groups and networks were either revived or created. The cluster approach is now well enshrined in Indian policies, with seven states and five national institutions having adopted cluster development in their support strategy for small enterprises. Over 150 cluster development practitioners have been trained in what has become a fully self-financing training programme.

46. SME export consortia aim at boosting exports by enabling SMEs to overcome the information and scale problems associated with exporting activities, particularly in the early stages of exporting. By joining together to promote exports, groups of SMEs are able to compete effectively against other firms in markets that they would otherwise not be able to access. The programme is being implemented or planned in Argentina, Egypt, India, Jordan, Lebanon, Morocco, Peru, Tunisia and Uruguay.

Promoting SME exports in Tunisia

Since 2001, UNIDO has been promoting export consortia in Tunisia in cooperation with the Tunisian Ministry of Industry. There are currently 10 operational export consortia specialized in different sectors (e.g. auto parts, engineering, agro-industry, and information technology). The "C8" auto part export promotion consortium, grouping eight Tunisian manufacturing companies, has conducted studies of several African markets, and organized joint missions and shipments to selected African countries. In the past three years, the export sales of the consortium members have increased by 67 per cent against 30 per cent of the whole Tunisian car components sector. The Tunisian Engineering Consortium, grouping 12 firms with no export experience, has been able to win important international bids in Algeria and West African countries, and has signed cooperation agreements with Iranian and South African partners. These two consortia are now beginning to access more challenging markets in northern countries. Efforts to promote export consortia are now also being undertaken by a variety of national institutions.

47. The process of enhancing the competitiveness of the private sector is often accompanied by high social costs: unemployment, corruption, environmental degradation, little or no social protection and health care. The promotion of corporate social responsibility is seen as a way for companies to help mitigate these social costs while contributing to modernizing the industrial sector. The programme of UNIDO on corporate social responsibility and business partnerships is built on three pillars: participation in the United Nations Global Compact; corporate social responsibility capacity-building initiative; and the business partnership programme.

48. The participation of UNIDO in the Global Compact is geared towards meeting the specific requirements of SMEs within the framework of the Compact. The corporate social responsibility capacity-building initiative focuses on establishing a platform to provide practical services to the implementation of corporate social responsibility concepts at the policy, institutional and company levels. The UNIDO business partnership programme provides technical assistance to SMEs and related institutions, enhancing their capacity to apply and implement corporate social responsibility concepts in the context of responsible competitiveness. Technical cooperation projects under this programme have been implemented in Croatia, Ghana, India, Morocco, Nigeria and South Africa. New projects are currently being developed for China, Nicaragua, Serbia, the United Republic of Tanzania, and Viet Nam. The project in Croatia is providing policy advisory services to build corporate social responsibility-related capacities in industry support institutions to enable them to assist the business sector, especially export-oriented SMEs, with a practical methodology and related tools to comply cost-effectively with the corporate social responsibility requirements of global buyers and supply chains.

49. UNIDO is also supporting rural and women entrepreneurship development to enable rural and women entrepreneurs to take advantage of economic opportunities based on market mechanisms and entrepreneurial initiatives. The programme is especially focused on least developed countries and sub-Saharan Africa. Technical cooperation projects under this programme have been implemented in Burkina Faso, Burundi, Cameroon, Côte d'Ivoire, Eritrea, Ethiopia, Ghana, Guinea, Kenya, Malawi, Morocco, Mozambique, Namibia, Rwanda, Sierra Leone and Uganda. In Mozambique, a pilot project to implement a "one-stop-shop" for issuing licenses and providing advice on regulatory requirements has been established as a part of a provincial government office. As a result of the project, the registration process has become transparent and efficient, the number of registered enterprises has increased, bribery has been reduced and tax revenue has risen. The Mozambique Government has decided to replicate the model in all its provinces. Elsewhere, the programme has been implemented in Afghanistan, Cuba, Guatemala, Jordan, the Philippines, Solomon Islands, Sri Lanka, Timor-Leste and Viet Nam.

50. Business information support services are also being provided by UNIDO to help small enterprises become competitive and grow. UNIDO-supported information networking initiatives have been implemented in Algeria, China, Cuba, Djibouti, Guatemala, Madagascar, Morocco, Pakistan, Saudi Arabia, Sri Lanka and the United Republic of Tanzania.

51. To strengthen national capacities for the creation and continuous upgrading of the business environment for SMEs, UNIDO is providing technical advice and assistance in the formulation and implementation of appropriate policies and supporting institutional infrastructure to help SMEs operate on a level playing field.

Projects under this programme have been and are being implemented in Azerbaijan, China, Kazakhstan, Kyrgyzstan, Lao People's Democratic Republic, Uzbekistan and Viet Nam.

An enabling environment for small and medium-sized enterprises in Viet Nam

UNIDO support to the Government of Viet Nam has focused on the establishment of an institutional infrastructure for SME development at both the national and provincial levels — the SME Development Promotion Council (SMEDC), a multisector advisory body to the Prime Minister, and the Agency for Small and Medium Enterprise Development (ASMED), a central-level policy coordination agency. Within the scope of this project, the Government has formulated its first five-year SME development plan, 2006-2010. The plan sets out policy and capacity-building measures to ease regulations governing market entry, business licensing, taxation, land access, labour, commercial dispute resolution and technology transfer. In partnership with UNIDO, the Government has launched a major administrative reform to implement a computerized national business registry to increase transparency in the business environment and decrease the cost of doing business by simplifying, standardizing and unifying business registration procedures and unifying business, tax and statistics registration. UNIDO has also assisted the Government in conducting a comprehensive review of all regulations involving business licensing issued by 19 ministries, agencies and departments. These regulations are now posted on Government websites.

52. UNIDO combines technical assistance and advice with direct interventions to build institutional support infrastructures, for example, for food and non-food agro-based industries, particularly in the rural areas. The aim is to improve the competitiveness, flexibility and productivity of SMEs by easing production flows; improving product quality; increasing value-addition; reducing post-harvest losses, minimizing waste and increasing by-product utilization; and improving the packaging of local products. Support is also delivered through the establishment of technical centres of excellence in agro-processing. UNIDO currently plans to introduce worldwide benchmarking systems for both the leather-based and the textile and garment industries in developing countries.

Trade capacity-building

53. There is increased recognition that gainful participation by the developing countries in the international trading system depends as much on improved market access as on effective supply response capacity, compliance with international product and process standards and connectivity to markets. Developing countries face not just tariff barriers, but increasingly technical barriers to trade and sanitary and phyto-sanitary regulations. Technical barriers to trade are standards and technical requirements drawn up by individual countries to protect health, safety and the environment while sanitary and phyto-sanitary regulations requirements focus mainly on food safety regulations. While necessary from the point of view of the

importing countries, these regulations can become potent barriers to the exports of developing countries.

54. The trade capacity-building initiative of UNIDO assists developing countries in meeting these challenges and enables them to secure an increased share of international trade in manufactures. It does so by providing support services in two of three key areas:

(a) Developing competitive manufacturing capability through upgrading of product and production quality, productivity enhancement, safety and cost-effectiveness improvement,

(b) Developing and promoting conformity with market requirements by establishing the necessary physical and institutional infrastructure to prove that products conform to the technical requirements laid out within the multilateral trading system with particular attention to the development of standards and conformity assessment infrastructures;

For the third area UNIDO cooperates with other organizations (the United Nations Conference on Trade and Development, the International Trade Centre UNCTAD/WTO) that are specialized in, and focusing on:

(c) Enhancing connectivity to markets through more effective participation in international trade negotiations and streamlining of customs procedures and mechanisms to ensure more efficient trade flows (trade facilitation).

55. A notable example of the assistance UNIDO is providing under its trade capacity-building initiative is the European Union (EU)-funded quality programme of the West African Economic and Monetary Union (UEMOA). UNIDO assisted national institutions and enterprises in the fisheries sector in Benin, Côte d'Ivoire and Togo. The fisheries sector in these countries employs thousands of workers and exports more than 100,000 tons of products to the EU annually. UNIDO support improved the quality and safety of exported products in conformity with the sanitary requirements of the market. At the request of UEMOA and the EU, UNIDO is preparing a second phase to consolidate the results achieved in UEMOA countries and extend programme activities to other countries of the Economic Community of West African States and Mauritania. Jointly with UEMOA, UNIDO is also continuing to develop a subregional programme for industrial restructuring and upgrading. This programme will contribute to preparing the UEMOA countries for the introduction of liberalized trade arrangements with the EU starting in 2008. Similar regional programmes are under way in the Mekong River countries and the countries of the South Asian Association for Regional Cooperation.

Upgrading the quality of Ethiopian leather

UNIDO support for enhancing product and production quality for manufactured export is illustrated by a leather project in Ethiopia.

Working closely with the Ethiopian Government, UNIDO developed a master plan for the leather and leather products industry of Ethiopia. The plan identified the approach and defined the targets in terms of export earnings, employment generated and investments required. Under the chairmanship of Prime Minister H.E. Meles Zenawi, the National Export Coordination Committee adopted the master plan as

Ethiopia's strategic framework to develop the leather and leather products industry. Results achieved to date include:

- Subcontracting arrangements with a major Italian footwear manufacturer and a footwear manufacturer in Addis Ababa. At the end of 2005, 100,000 pairs of "made in Ethiopia" shoes were being sold on the Italian market. The Italian subcontractor has already announced that the volume for export to Italy is expected to increase in 2006
- A renowned British tanning group has relocated its production of high-quality sheep and goatskin finished leather for glove production to Ethiopia for likely export to Asian countries, including Japan. The group has also indicated its intention to open a leather garments factory for the up-market segment
- Based on present export projections, the Ethiopian Leather Industry Association announced that $103 million is expected to be secured from the export of leather products during this fiscal year, as opposed to some $66 million secured during the previous one

56. UNIDO is assisting in the development of internationally recognized certification services in a number of countries. These services, available to exporting and local enterprises, include management services in the areas of quality (ISO 9001), environment (ISO 14000), social accountability (SA 8000), and food safety (ISO 22000 and Hazard Analysis and Critical Control Point (HACCP)). Finally, UNIDO provides a formal package of services in competitiveness analysis to interested countries.

57. Assistance is also being provided by UNIDO to strengthen the capacity of support institutions (food inspection and quality control bodies, research and development and training, food laboratories, sector and business associations and NGOs) through training and the provision of demonstration and training equipment and tools/materials, and the preparation of working guides and manuals. In 2005, 25 food inspection services, 21 food laboratories and other support institutions benefited from UNIDO assistance. At least 750 inspectors and/or food safety auditors were trained, and most of them have shown a high level of competence by being able to perform scientific and risk-based control and meet most of the industry needs in implementing food safety and quality management systems.

Helping camelid breeders in Peru

In May 2002, UNIDO initiated a project to help camelid (llamas and vicunas) breeders, artisans and small enterprises enhance their productivity and competitiveness on local and international markets. The ultra-fine woolly hair of these animals is a highly valued textile/fashion raw material fetching a very high price. UNIDO established two technology innovation centres for camelid-fibre textiles at Puno and Huancavelica providing individuals and enterprises access to new technologies, tools and processes, as well as information on best

practices on production, processing, storing and commercialization of camelid fibres. It also established two mobile testing and quality control laboratories that provide on-site quality control.

The camelid breeders have since formed groups and share their newfound knowledge with other breeders as well as micro and small enterprises. Links are also being established with partners in both industrialized and developing countries. The next important step will be to establish a sustainable procedure for launching locally made products on to international markets.

Since introducing the scheme:

Concrete results

- 3,300 herds have undergone improvement
- The proportion of alpacas in total breeding programme stands at 10 per cent, with indirect effect on 60 per cent of all alpacas in Peru
- The technology transfer has been of direct benefit to 8,000 farming households
- The stockpiling and fibre sorting facility has increased revenues of 250 livestock breeding households by 40 per cent
- 100 producer associations in Puno and Huancavelica now dispose of exporting capabilities

An exhibition under the banner "Huancavelica to the World" has yielded initial export orders.

58. A key concern expressed is the plight of millions of cotton farmers in Africa, and the challenge they face owing to trade-distorting subsidies given to cotton producers in some developed countries. In cooperation with the World Trade Organization and other organizations, UNIDO is assisting cotton farmers in Africa, developing cotton standards for the region, enhancing their product quality, and supporting value added processing and exports of cotton and cotton products. The programme will extend into 2011 and will be accompanied by similar programmes covering other countries and products.

59. Technology foresight is regarded as the most upstream element of the technology development process, providing inputs for the formulation of technology policies and strategies that guide the development of the technological infrastructure. In addition, technology foresight provides support to innovation, and incentives and assistance to enterprises in the domain of technology management and technology transfer, leading to enhanced competitiveness and growth. UNIDO is implementing a global initiative on technology foresight that provides suitable methodologies to promote sustainable and innovative development, and fosters economic, environmental and social benefits at national and regional levels.

60. To promote increased access of enterprises to international investment and technology flows, UNIDO contributes to enhancing the attractiveness of the country

concerned to FDI through, inter alia, policy advice to improve the investment regime, the strengthening of national institutional capacities for investment promotion and the establishment of business alliances linking enterprises in developing countries with foreign enterprises. Under this programme, UNIDO draws on its dedicated worldwide network of subcontracting and partnership exchanges, which serve as technical information and matchmaking centres for industrial subcontracting and partnerships between buyers and suppliers, and on its network of investment and technology promotion offices to establish bilateral links with capital-exporting countries through promotional programmes such as seminars, group visits and delegates programmes. With regard to technology, UNIDO helps to strengthen national technology management systems to develop, acquire, adapt, improve and diffuse technologies for national entrepreneurs. It does so principally through the creation, strengthening and establishment of networking arrangements among national, regional and international technology-related institutions linked to private industry, research and development and other technical institutions in the public and private sector, as well as universities and research organizations.

61. Major recent initiatives undertaken by UNIDO in this context include the third Africa FDI survey of more than 1,200 companies in 15 sub-Saharan African countries. The survey presents a deepened understanding of the nature of different investor types and their impact on the host economies; the effects of large transnational corporations versus small transnational corporations and stand-alone foreign entrepreneurs that make up most of the foreign investment in the region; and the differences between North and South based investors. In addition, 380 investment opportunities in Africa, identified and formulated through UNIDO programmes, were presented to Chinese investors at the ninth China International Fair for Investment and Trade in September 2005 in Xiamen, China. This promotion of South-South cooperation has also become a major feature of UNIDO activities in the field of technology transfer and diffusion, which is increasingly focusing on the transfer of technology from India and China to other developing countries, especially to Africa and the least developed countries.

Energy and environment

62. Energy has been a central theme in the work of UNIDO for over 30 years, with its programmes addressing both the supply side (provision of energy for industry, use of renewable energy resources) and the demand side (improving industrial energy efficiency). The aim of UNIDO is to contribute to addressing two fundamental challenges:

- De-linking intensity of energy use from economic growth;
- Reducing the environmental impact of energy use.

63. The environment activities of UNIDO aim at preventing industrial pollution and industrial waste from being created and managing residuals that may be created in an environmentally sound manner. It does so through its three core programmes:

- Cleaner and sustainable production;
- Water management;
- Implementation of multilateral agreements (the Montreal Protocol and the Stockholm Convention on Persistent Organic Pollutants).

In both the energy and environment components of its programmes, UNIDO works closely with Governments and various international bodies, including the Global Environment Facility, the United Nations Environment Programme (UNEP) and the Montreal Protocol Multilateral Fund.

64. In the area of energy, UNIDO is promoting energy efficiency measures and the expanded use of renewable energy sources (biomass, wind, solar, small-hydro and geothermal). Its support services focus on the productive use of renewable energy sources and clean energy, especially in the rural areas. Two notable examples of projects implemented by UNIDO in this field are shown below.

Enhancing industrial energy efficiency in China

Industrial motor-driven systems offer one of the largest opportunities for industrial energy savings with improvement potentials of 20-50 per cent (against an annual consumption of more than 2 trillion kilowatt hours (kWh)). UNIDO has developed capacity in Shanghai and Jiangsu to tap into this huge energy efficiency potential. Some 40 industrial plant assessments have been conducted using the new capacity. In one extremely large petrochemicals facility alone, the assessments of its motor systems identified 14 million kWh of energy savings that could be obtained with an investment of just under $400,000. The size of the savings was such that this investment paid for itself in half a year. UNIDO now links quality and environmental management systems (ISO 9000/14000) with industrial system optimization: the objective being nothing less than a permanent change in corporate culture towards energy efficiency using the structure, language and accountability of the existing ISO management structure.

Micro-hydro power in India

On 28 October 2004, for the first time ever, the village of Mankulam (a remote town in Kerala State with a population of 15,000) had access to electricity. This was produced by a micro-hydro power project implemented by UNIDO. In addition, UNIDO established a community development centre to ensure that the new power source generates employment and raises incomes, while also offering entertainment and leisure activities. The centre includes a computer centre, a community television, a flourmill and a community wet grinding station. Moreover, through a satellite connection, the village is linked to the Internet, thus enabling the villagers to join the global community. Village Panchayat (community) owns, operates and maintains the system.

65. In the environment field, the UNIDO cleaner production programme aims at building national cleaner production capacities, fostering dialogue between industry and government and enhancing investments for the transfer and development of environmentally sound technologies. Through this programme, UNIDO is helping bridge the gap between competitive industrial production and environmental concerns. Cleaner production is more than just a technical solution. It has a

widespread application at all decision-making levels in industry, with the chief focus being the adoption of cleaner technologies and techniques within the industrial sector. Costly end-of-pipe pollution control systems are gradually replaced through a strategy that reduces and avoids pollution and waste throughout the entire production cycle, from efficient use of raw materials, energy and water to the final product. Since 1994, 31 national cleaner production centres and programmes have been established by UNIDO jointly with UNEP.

Transfer of environmentally sound technology in the Danube River Basin

Together with its Croatian, Hungarian and Slovak national cleaner production centres and similar support institutions in Bulgaria and Romania, UNIDO worked with enterprises from various industrial sectors, such as chemicals, food, machinery, textile, pulp and paper, to introduce the transfer of environmentally sound technology (TEST) programme in 17 "hot spots" of water pollution in the Danube River Basin. TEST allows the enterprises to choose from a menu of tools and methodologies (including cleaner production, environmental management systems, environmental management accounting, assessment of environmentally sound technology, investment promotion and sustainable enterprise strategy) to solve its particular problems. By the end of the project, more than 230 TEST measures were implemented and resulted in $1.3 million of total savings. Environmental management systems were introduced in 11 enterprises, four of which were certified, and environmental management accounting systems were implemented in five enterprises. Environmentally sound technology assessments were completed in selected enterprises and pre-feasibility studies prepared for investment promotion, while environmental and social dimensions were integrated into their business strategies. All this led to a reduction of wastewater discharges into the Danube River Basin of 4.6 million cubic metres per year, which is expected to rise to 7.9 million cubic metres per year after the full operationalization of all adopted environmentally sound technologies.

66. Under the GEF *International Waters* Programme, UNIDO focuses on programmes that increase water productivity by means of reducing water withdrawals and increasing water reuse and recycling, and to minimize water and pollution discharges. The primary implementation mechanism is the TEST methodology developed by UNIDO.

67. Under the same programme, UNIDO is expanding the work it has been doing to assist countries bordering large marine ecosystems to work cooperatively to enhance the sustainable management of their large marine ecosystem resources. The methodologies employed include the integrated management of coastal areas, the management of industrial fisheries and restoration of stocks, and the management of contaminants from industrial and human activities entering the large marine ecosystems.

68. A large part of UNIDO's project portfolio supports countries in meeting their obligations under the Montreal Protocol on Substances that Deplete the Ozone Layer. Its services comprise policy advice, strategy and programme design; institutional support; and enterprise level technical assistance. UNIDO is currently studying the impact of its technology transfer activities on productivity, employment and export earnings.

69. Regarding the elimination of persistent organic pollutants under the Stockholm Convention, following the formulation of national implementation plans, UNIDO is now proceeding with the introduction of advanced environmentally sound technologies for the destruction of persistent organic pollutants and for the introduction of Best Available Technologies and Best Environmental Practices to prevent the widespread unintentional generation of persistent organic pollutants. In addition, UNIDO plans to build up projects related to the sound destruction of medical wastes and the remediation of sites contaminated with persistent organic pollutants.

70. In addition, UNIDO is undertaking programmes to assist developing countries and countries with economies in transition to take the fullest possible advantage of the opportunities available to their industries to upgrade their production technologies through the clean development mechanism of the Kyoto Protocol.

Advancing South-South cooperation

71. A number of developing countries have valuable knowledge and technical capacities that are particularly relevant for developing countries, and are willing to share these to enable other developing countries to strengthen their technical and business capacities, and thereby increase their effective participation in the global economy. UNIDO is renewing its efforts to mobilize these resources and opportunities and broker the effective cooperation between developing countries.

72. UNIDO's programmatic activities in this area focus on low-income countries and will be implemented within the framework of General Assembly resolution 58/220; the Barbados Programme of Action on the Sustainable Development of Small Island Developing States; the Almaty Programme of Action for landlocked developing countries; and the Brussels Programme of Action for the least developed countries. The South-South cooperation programmes are pursued both within existing integrated programmes at the country level and through regional and interregional programmes.

73. A new initiative involves the establishment of South-South technical cooperation centres at the country level in several emerging economies, with a view to fostering South-South cooperation in the sphere of industrial development. Negotiations are under way for the establishment of such centres in Brazil, China, Egypt, India and South Africa. These centres will help to identify and mobilize resources required for projects and programmes within the framework of South-South cooperation, and thereby contribute to the industrial development and economic growth of developing countries. The centres will furthermore play a catalytic role in mapping the potentials in more developed countries in the South to support other developing countries in a mutually beneficial partnership framework.

74. Programmatic activities within the South-South framework will entail:

(a) Increasing productive capacities to enhance trade, technology and investment flows among developing countries;

(b) Developing joint action in support of common positions to address critical elements of global trade norms;

(c) Formulating a joint response to poverty reduction;

(d) Promoting an exchange of experience and institutional networking.

UNIDO support for NEPAD

75. UNIDO continued to work closely with the New Partnership for Africa's Development (NEPAD) in the context of its technical cooperation programme for African countries and in the framework of the African Productive Capacity Initiative (APCI). Adopted by the African Union in 2004 as the sustainable industrial development component of NEPAD, the primary aim of APCI is to increase the manufacturing value-added of selected industrial sectors in the five subregions of Africa.

76. UNIDO has established strong partnerships with other United Nations agencies and is building cooperation with financial institutions such as the Islamic Development Bank and the African Development Bank to facilitate the implementation of the initiative. UNIDO and WTO have jointly launched the Cotton Initiative for Benin, Burkina Faso, Cameroon, the Central African Republic, Chad, Côte d'Ivoire, Mali, Nigeria, Senegal and Togo to improve the quality and export competitiveness of cotton from these countries.

77. UNIDO continued to carry out its support programmes for African countries under its three main thematic priorities. In the field of poverty reduction through productive activities, its programmes in Ghana, Guinea, Sierra Leone and the Sudan are focusing on alleviating immediate livelihood constraints and resource pressures to local communities, by training internally and internationally displaced people in productive skills to enable them to effectively participate in the economic recovery and reconstruction process.

78. With a view to improving the competitiveness of SMEs in Africa, UNIDO is focusing on efficient business licensing practices, private sector-led business advisory services, including capacity-building for business associations, business applications of information and communication technology and entrepreneurship and technical training for the youth and women in UNIDO-integrated programmes of technical assistance in Burkina Faso, Burundi, Cameroon, Djibouti, Eritrea, Ethiopia, Ghana, Kenya, Namibia, Nigeria, Madagascar, Malawi, Mozambique, Rwanda, Senegal, Sierra Leone, Uganda and the United Republic of Tanzania.

79. In the field of trade capacity-building, UNIDO has provided support for the development of reliable food safety and quality systems in various sectors to enable African countries to export their products to the European Union (EU) and other export markets. Its assistance has concentrated on technology upgrading and food safety assurance required to meet the World Trade Organization, the sanitary and phyto-sanitary and the technical barriers to trade agreements. Process optimization (for value added and product diversification), good hygiene practices, HACCP, ISO 22000, and clean technology development are the main tools to build the capacities for improved market access and trade facilitation. Countries assisted by

UNIDO in these fields include Algeria, Angola, Burkina Faso, Burundi, Cameroon, Eritrea, Ethiopia, Ghana, Guinea, Kenya, Mali, Morocco, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, the Sudan, Tunisia, Uganda and the United Republic of Tanzania.

80. UNIDO also continued to implement environment and energy-related projects in Africa. In Tunisia, a common effluent treatment plant is being relocated from Tunis to an industrial park and assistance is provided to upgrade the leather processing technology. In Madagascar, Morocco and the East Africa region, projects have been developed to combat desertification, mitigate the impacts of land degradation, and protect the integrity and functions of the natural ecosystem while improving the livelihoods of the rural poor. In Burkina Faso, Mali, Morocco and Uganda, assistance is being given to food processing enterprises in waste minimization and utilization as well as effluents treatment. Furthermore, assistance is being provided in a number of countries to utilize solar power more effectively for the drying of agro-products using a hybrid dryer developed by UNIDO and the University of Natural Resources and Applied Life Sciences at Vienna.

81. On water management, UNIDO continues to formulate and implement GEF-funded projects with a focus on capacity-building for the industrial sector to improve water productivity, reuse and recycling, the introduction at all levels of government policies and training in the adoption of the ecosystem approach and the sustainable use of its living resources. The projects include large regional projects dealing with fisheries management, coastal and marine pollution reduction and habitat restoration in 16 West African and Central African countries.

82. Noting the crucial importance of industrial development to the diversification and expansion of African economies, the African Union has decided to devote its summit meeting in 2007 to the theme of African industrialization.

Building partnerships for development

83. UNIDO recognizes the importance of building partnerships and collaborating with other international bodies in carrying out its mandate and contributing to United Nations system-wide coherence. UNIDO is developing partnerships and alliances in its three thematic areas of focus with complementary organizations, both within the United Nations and with other international organizations. These partnerships and alliances include joint programme development and implementation, primarily at the field level, and aim at delivering an integrated and more complete set of support services.

84. In the context of enterprise development, such partnerships have been established, inter alia, with UNDP, the World Trade Organization, the United Nations Office on Drugs and Crime (UNODC), and the International Labour Organization (ILO). The agreement with UNDP, signed in 2004, provides for the two organizations to formulate joint programmes on private sector development, to implement the recommendations of the 2004 report *Unleashing Entrepreneurship*,[9] commissioned by the Secretary-General. Under the agreement with the World Trade Organization, which was signed in Cancun in 2003, a joint programme for trade capacity-building has been defined for nine countries (Armenia, Bolivia, Cambodia, Cuba, Egypt, Ghana, Jordan, Kenya and Mauritania), and project documents are

[9] United Nations publication, Sales No. E.04.III.B.4.

now being submitted to the donor community. The agreement with UNODC, signed in 2005, envisages joint programming in up to five countries, focusing on the sustainable livelihood programme of UNODC and the private sector development activities of UNIDO. With the ILO, UNIDO has been holding joint international training courses since 2004 related to its cluster and networking development and SME export consortia programmes at the ILO International Training Centre in Turin, Italy. UNIDO and the ILO are also collaborating on launching a joint programme for youth employment in West Africa.

85. UNIDO has also been a core member of the Donor Committee for Enterprise Development since its inception in 1979, and has made active contributions to its deliberations on conceptual and practical issues. It is currently co-chairing, with the Food and Agriculture Organization of the United Nations (FAO), a working group on linkages and value chains. Since 2003 UNIDO has also been a core agency of the Global Compact. Its association with the Compact is a result of the recognition awarded by the United Nations system to its prior operational efforts in developing partnerships through its business partnership programme, investment and technology promotion offices and subcontracting and partnership exchange networks, and SME cluster development programme.

86. UNIDO is enhancing its efforts to ensure that its activities support national policies and priorities and are in line with common assessment and programming instruments, including the poverty reduction strategy papers and the common country assessment/United Nations Development Assistance Framework.

87. UNIDO has also been at the forefront of United Nations reform efforts to strengthen country-level coherence of United Nations system activities. It has contributed extensively to the work of the Secretary-General's High-Level Panel on System-wide Coherence, hosting the consultations on country-level coherence in Vienna in May 2006. UNIDO is also making a contribution to increased inter-agency coordination through its issue-leadership of trade capacity-building in the context of the task force on economic development established by the High-level Committee on Programmes of the Chief Executives Board for Coordination.

IV. Conclusions: the way forward

88. With the rapid economic development of some newly industrializing countries and especially China, the global industrial landscape has taken on a new dimension, continuing the division between North and South and showing a growing gap within the South, with least developed countries facing an ever-increasing challenge to find their way towards integrating into the world economy.

89. The implications on both extreme poverty and environmental degradation are severe, posing great challenges in finding a path towards sustained economic growth and sustainable development, both being prerequisites for the achievement of the Millennium Development Goals.

90. Security crises and mass migration have, in many cases, their root causes in poverty, especially among young people. Transborder conflicts and regional instabilities are increasing, while natural disasters are also on the rise. More than ever, investments are needed for the creation of employment and the

generation of incomes, as well as for energy efficiency and environmental protection.

91. Rapid but sustainable industrial development is crucial for disadvantaged regions, the creation of youth employment, the diffusion of cleaner production and renewable energy technologies, as well as the integration of developing countries into global value chains.

92. The new industrial realities, market failures and inadequate capabilities pose an urgent need for accelerated South-South cooperation, as a supplement to North-South cooperation, for poverty reduction. Increased productive capacities in the South are needed to enhance trade, technology and investment flows among developing countries. Joint positions and responses should be formulated involving both public and private sectors in respect of critical elements of global trade norms, the reduction of extreme poverty and sustainability issues.

93. In this context and given the crucial contribution of sustainable industrial development for achieving the Millennium Development Goals, UNIDO will continue to play a vital role in the fields of private sector development, productivity growth, trade capacity-building, corporate social responsibility, environmental protection, energy efficiency and the promotion of renewable energies.

94. In Africa, UNIDO will continue to focus on the objectives of NEPAD, under its African Productive Capacity Initiative and on regional integration and cooperation. An ever-stronger presence of UNIDO in the field and increasing partnerships with private sector organizations and institutions will strengthen the effectiveness of its interventions, especially in sub-Saharan Africa and the least developed countries.

95. Through its active collaboration with various multilateral institutions, especially in the fields of trade capacity-building and youth employment, UNIDO will further strengthen its efforts in system-wide coherence and collaboration, and continue to seek synergies through inter-agency approaches. UNIDO will continue to take a proactive part in the United Nations coordinating mechanisms, including the HLCP/CEB and contribute to achieving the Millennium Development Goals as a trusted partner for pro-poor and sustained economic growth.

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Promotion and protection of human rights: human rights questions, including alternative approaches for improving the effective enjoyment of human rights and fundamental freedoms

The right to food

Note by the Secretary-General**

The Secretary-General has the honour to transmit to the General Assembly the interim report of the Special Rapporteur on the right to food, Jean Ziegler, in accordance with General Assembly resolution 60/165.

* A/61/150.
** This report is submitted late in order to contain as much updated information as possible.

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Report of the Special Rapporteur on the right to food

Summary

The Special Rapporteur on the right to food is gravely concerned that, despite promises to eradicate hunger, there has been little progress in reducing the global number of victims of hunger. In fact, global hunger is on the rise. The number of people suffering from hunger has increased to 852 million people around the world. Every five seconds, a child will die from hunger and malnutrition-related illness. This is a shame on humanity.

In a world that is richer than ever before, and which already produces enough food to feed the global population, hunger and famine are not inevitable. They are a violation of human rights. All human beings have the right to live in dignity, free from hunger. The right to food is a human right.

In this report, the Special Rapporteur highlights some positive national developments with respect to the right to food, before reporting to the General Assembly on issues of serious concern. Given that the Assembly declared 2006 the International Year of Deserts and Desertification, a section of the report focuses on the impact of drought, desertification and land degradation on the right to food, particularly in Africa. The report then discusses the creation of the new Human Rights Council and its first decisions on international legal instruments that relate to the protection of the right to food. The report ends with conclusions and recommendations.

In his recommendations, the Special Rapporteur urges all Governments to respond to urgent appeals in relation to food crises. Concluding that hunger is still primarily a rural problem, the Special Rapporteur also strongly encourages massive investment to be directed towards rural development and small-scale agriculture and pastoralism to fight food insecurity. In addition, the Special Rapporteur believes that fighting hunger must include fighting desertification and land degradation, through investments and public policies appropriate to the specific risks of drylands. To this end the Special Rapporteur urges all States parties to implement the United Nations Convention to Combat Desertification.

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I. Introduction

1. The Special Rapporteur on the right to food hereby submits his sixth report to the General Assembly, as requested by the General Assembly in its resolution 60/165. His mandate was assumed and extended by the Human Rights Council on the basis of Assembly resolution 60/251 and Council decision 2006/102.

2. In this report, the Special Rapporteur must report to the General Assembly that, despite increasing recognition of the human right to food worldwide, there has been little progress in reducing the global number of people suffering from hunger. More than 852 million people do not get enough food each day to sustain a healthy life; 815 million people in developing countries, 28 million in transition countries and 9 million in the industrialized countries.[1] Global hunger has been on the rise since 1996, despite promises made at the World Food Summit and in the Millennium Development Goals. It is a shame on humanity, that in a world that is richer than ever before, 6 million children die of malnutrition and related illnesses before they reach the age of five. According to the Food and Agriculture Organization of the United Nations (FAO), our planet already produces enough food to feed every child, woman and man.[2] It could produce enough food to feed 12 billion people, double the world's current population.

3. Hunger is not inevitable. It is a violation of human rights. The right to food is a human right that protects the right of all human beings to live in dignity, free from hunger. It is protected under international human rights and humanitarian law. As defined by the United Nations Committee on Economic, Social and Cultural Rights in its general comment No. 12 (1999), "(t)he right to adequate food is realized when every man, woman and child, alone or in community with others, has physical and economic access at all times to adequate food or means for its procurement" (para. 6). Inspired by the general comment, the Special Rapporteur defines the right to food as

> "the right to have regular, permanent and unrestricted access, either directly or by means of financial purchases, to quantitatively and qualitatively adequate and sufficient food corresponding to the cultural traditions of the people to which the consumer belongs, and which ensures a physical and mental, individual and collective, fulfilling and dignified life free of fear".

4. Despite the universal recognition that freedom from hunger is a human right, hunger persists across the world. The majority of the hungry live in Asia and Africa. Most of them live in rural areas. In fact, approximately 80 per cent of the hungry live in rural areas[3] and depend on agriculture and pastoralism to survive. They are hungry because they do not have enough work, or access to productive resources like land and water sufficient to feed their families. More than 65 per cent of the hungry live on small plots of land and produce crops for subsistence and for sale on local markets. Many face problems because they live in remote lands or marginal lands that are vulnerable to drought and natural disasters.[4] Good, fertile land tends to be concentrated in the hands of wealthier landowners. For example, in

[1] *The State of Food Insecurity in the World 2004* (Rome, FAO, 2004).
[2] *The State of Food Insecurity in the World 2003* (Rome, FAO, 2003).
[3] Millennium Project Task Force on Hunger, *Halving hunger by 2015: a framework for action* Interim report (Millennium Project, New York, 1 February 2004).
[4] Ibid.

Guatemala, the Special Rapporteur saw that most of the fertile lands of central Guatemala were part of huge plantations while the majority of indigenous people had to cultivate the steep slopes of Guatemala's mountainous regions (see E/CN.4/2006/44/Add.1). Another 20 per cent of the hungry are not small farmers, but landless labourers dependent on agricultural labour, paid pitiful wages that are insufficient to feed their families. With the situation deteriorating in rural areas, migrants are moving to urban slums and urban hunger is rising fast with 20 per cent of the hungry now living in urban areas[5] but unable to find livelihoods that can feed their families.

5. Many small farmers face hunger as a result of the effects of macroeconomic and international trade policies on local markets (see E/CN.4/2004/10). At the time of writing, the collapse of the Doha trade negotiations within the World Trade Organization was in the headlines.[6] The so-called "development round" of trade talks has collapsed because the most developed countries, particularly the European Union (EU) and the United States of America, have not lived up to their promises to promote development through trade. Developed countries have refused to liberalize their own agriculture (even while preaching free trade and unilateral liberalization to poor countries), without regard to the impacts on development and food security in the least developed countries. No deal was reached on export subsidies. This means that dumping will continue. Dumping of agricultural products, sold at below-cost-of-production prices, in developing country markets will continue to hurt the livelihoods of millions of small farmers in the least developed countries. In Africa or Latin America, for example, it is possible for shops and supermarkets to buy subsidized maize or vegetables from Europe or the United States at a price that is lower than that of local produce. Millions of African and Latin American peasants, who toil with their families more than 15 hours per day, have no markets to sell their crops and cannot earn enough to feed their families. Hunger is a global responsibility.

6. Hunger is also related to the global effects of climate change, desertification and land degradation. Without adequate investment in small-scale irrigation and small-scale agriculture, there is little hope of eradicating hunger. When the land becomes as hard as concrete and the wells dry up, thousands of families are forced every year to leave their villages and migrate to city slums.

7. This report will look specifically at the impact of desertification and land degradation on the right to food, particularly in Africa. It will first give a brief overview of the activities of the Special Rapporteur over the last year, and will highlight positive national and international developments with respect to the right to food, as well as reporting to the General Assembly on issues of serious concern to the Special Rapporteur. The report finishes with a series of recommendations.

Activities of the Special Rapporteur

8. Since his last report to the General Assembly (A/60/350), the Special Rapporteur has continued to promote and protect the right to food. He carried out official missions to Guatemala (see E/CN.4/2006/44/Add.1) and to India (see

[5] Ibid.

[6] Associated Press, 24 July 2006, "Global trade talks collapse over farm subsidies".

E/CN.4/2006/44/Add.2), as well as an exceptional, emergency mission to Niger in July 2005. He would urge the Assembly to take account of these reports. In the first half of 2006, in view of the transition between the Commission on Human Rights and the Human Rights Council, the Special Rapporteur has not carried out country missions, but with the decision of the Council to extend his mandate in June 2006, the Special Rapporteur will carry out country missions in the second half of the year.

9. As the Special Rapporteur's mandate requires him to receive and respond to information on the right to food submitted by governmental and non-governmental organizations (NGOs), the Special Rapporteur has sent out 28 communications to Governments over the last year asking for further information regarding specific allegations of violations of the right to food. The Special Rapporteur views this process as an important means of cooperation with Member States, as it opens a constructive dialogue about specific cases that can be remedied. This year, the majority of the communications were sent jointly with other relevant thematic or country-based special procedures, and were addressed to the Governments of Australia, Brazil, Chile, Colombia, the Democratic Republic of the Congo, the Democratic People's Republic of Korea, Ecuador, India, Indonesia, Israel, the Lao People's Democratic Republic, Mexico, Myanmar, the Philippines, the Republic of Moldova, the Sudan and the United States of America. Communications were also sent to the European Union. Approximately half related to allegations of violations of the obligation to respect the right to food on the part of State agents, for example, forced evictions from land that inhibited peoples' access to food. The remaining communications related to allegations that relevant authorities failed to protect or fulfil the right to food. The Special Rapporteur appreciated receiving constructive replies, in particular from Australia, Colombia, the Lao People's Democratic Republic, Indonesia and the Philippines, which have either resolved the concerns or initiated a debate about actions that could be taken.

10. The Special Rapporteur has also continued to work closely with Governments and parliaments for the promotion of the right to food. On 14 July 2006, he attended an international conference, "Food Insecurity and the Right to Food", with the Mayor of Rome, organized in collaboration between the University of Florence and the Unidea-Unicredit Foundation. In May 2006, he spoke in Berlin before the Commission for International Cooperation and Development Aid of the Bundestag and attended a symposium organized by the Green Party of Germany. At the invitation of the Government of Switzerland, the Special Rapporteur spoke at the Conference on International Human Rights and Humanitarian Law held in Fribourg from 20 to 23 September 2005. In December, under the auspices of the Government of Switzerland, he addressed the International Colloquium of Francophone Ministers of Human Rights and Ambassadors.

11. He has continued to work closely with United Nations agencies, particularly the World Food Programme (WFP) and FAO. In this International Year of Deserts and Desertification, he has initiated special collaboration with the secretariat of the United Nations Convention to Combat Desertification to analyse the linkages between desertification, hunger and the right to food. He participated in an important international conference on "Hunger, Poverty and Desertification" held in Geneva in April 2006. In May, he walked with WFP in its Worldwide March Against Hunger which was held at 10 a.m. in 400 cities in 116 different countries around the world, starting in New Zealand and ending in Samoa. In Switzerland, over 1,650

marchers participated, each contributing enough to provide lunch for 60 schoolchildren.

12. At the same time, he has continued to work with NGOs involved in human rights and development. He participated in the "World Social Forum on Migration" held in Madrid from 21 to 24 June 2006. In March, he participated in an international conference entitled "How can we achieve the Millennium Development Goals?" held at the Palais des Nations. As his mandate includes clean drinking water as an essential element of healthy nutrition, the Special Rapporteur has also worked to promote understanding of the fact that the right to water is a human right. On 26 November 2005, he was invited to make the inaugural presentation at the first conference for the creation of an international association on the right to water, ACME (Association pour le Contrat mondial de l'eau). He welcomes the recent "Ecumenical Water Declaration" signed in April 2005 between the Protestant and Catholic Churches of Switzerland and Brazil which promotes the right to water as a human right.[7]

II. Positive developments with respect to the right to food

A. Guatemala

13. Following his visit to Guatemala in February 2005, the Special Rapporteur welcomes the commitment of the Government to fight malnutrition and food insecurity and to promulgate a new National Law on Food Security. This Law, which was passed by Congress in May 2005, recognizes the right to food. Its definition of the right to food is grounded in general comment No. 12 of the Committee on Economic, Social and Cultural Rights. It identifies violations of the right to food and establishes a national system for the protection and progressive realization of the right to food. The Law also recommends the strengthening of the Office of the Ombudsman to monitor the protection and progressive realization of the right to food. The Special Rapporteur welcomes the work of the Office of the High Commissioner for Human Rights in Guatemala, FAO and the Grupo Interagencial de Seguridad Alimentaria y Nutricional (Inter-Agency Group on Food and Nutritional Security) on including the right to food in current strategies and programmes.

B. India

14. The Special Rapporteur also welcomes developments in India which he learned about during his visit in August 2005. He was impressed by the full awareness of state and central Governments of their obligations to respect, protect and fulfil human rights, including the right to food. India implements the largest public food distribution system in the world. It has also made a great deal of progress in ensuring access to justice for securing respect for the right to food through decisions of the Supreme Court. In the last 15 years, in its decisions the Court has upheld the right to water of Dalits facing discrimination by the upper

[7] Signed by the National Conference of Brazilian Bishops and the National Council of Christian Churches, together with the Swiss Federation of Protestant Churches and the Swiss Episcopal Conference.

castes,[8] the right to a livelihood of traditional fisherpeople struggling against the shrimp industry[9] and the right to a livelihood of members of Scheduled Tribes threatened by the acquisition of land by a private company.[10] More recently, to fulfil the right to food and prevent deaths from starvation, the Court directed all State Governments to fully implement the existing food-based schemes of the central Government (see para. 40 below).[11] The Special Rapporteur welcomed the opportunity to attend the national Judicial Colloquium on the Right to Food held in Delhi at the initiative of the Right to Food Campaign which brought together 70 senior judges from across India to discuss the right to food.

C. Brazil

15. The Special Rapporteur would also like to bring to the attention of the Assembly developments in Brazil, where the Government's Zero Hunger programme is serving as an important example for worldwide efforts to fight hunger. He welcomes the re-establishment of the National Food and Nutrition Security Council with a specific mandate to combat hunger and malnutrition in Brazil. A new draft law providing for a National Food and Nutrition System, approved in August 2006 by the Federal Commission on Constitution, Justice and Citizenship, recognizes the right to food and the obligations of the Government to respect, protect, promote, monitor, finance and fulfil the right to food. It also calls for the creation of mechanisms to ensure accountability for meeting these obligations. The Special Rapporteur has been impressed by the participation of the Ministério Público and Brazilian civil society in this process. He believes that the initiative of NGOs to establish the post of a national Special Rapporteur on the right to food within Brazil has had a profound effect on the growing recognition of the right to food as a human right in the country, and serves as an important example for civil society in other countries. He welcomes the holding of the International Conference on Agrarian Reform and Rural Development organized by the Government and FAO in Porto Alegre in March 2006. In the Final Declaration of this conference 95 States recognize that one important way to ensure the fulfilment of the right to food is to establish appropriate land reform to secure access to land for marginalized and vulnerable groups, and to adopt adequate legal frameworks and policies to promote traditional and family agriculture.

III. Situations of special concern

16. In this report, the Special Rapporteur would like to draw the attention of the General Assembly to events and situations of serious concern regarding the realization of the right to food.

[8] *State of Karnataka* v. *Appa balu Ingale*, 1993.

[9] *S. Jagannath* v. *Union of India*, 1996.

[10] *Samatha* v. *State of Andhra Pradesh*, 1997.

[11] *People's Union for Civil Liberties* v. *Union of India & Ors*, 2001.

A. Horn of Africa

17. The Special Rapporteur is particularly concerned about the situation across the Horn of Africa, where Djibouti, Ethiopia, Eritrea, Somalia and Kenya are currently seriously affected by a drought, food insecurity and livelihood crisis. As of April 2006, it was estimated that more than 15 million people were at risk of hunger and more than 8 million were in need of immediate emergency assistance due to severe malnutrition in the region.[12] National Governments are responding, but according to WFP this is insufficient and there is an urgent need for international donors to take action. The Special Rapporteur issued an emergency press release in February 2006 urging all Governments to support efforts to alleviate the crisis and to work towards long-term development to realize the right to food, in accordance with obligations set out in the International Covenant on Economic, Social and Cultural Rights. In April 2006, the Special Rapporteur met with the Special Humanitarian Envoy of the Secretary-General for the Horn of Africa, Kjell Magne Bondevik, participating in the launch of the United Nations Consolidated Appeal for the Horn of Africa on 7 April 2006. At the time of writing, the situation in the region continues to be critical and demands an immediate and holistic humanitarian emergency response linked to longer-term measures to support recovery and build resilience and resistance to drought. Although recent rains have mitigated the impact of drought in some areas, flooding has further deepened the humanitarian crisis in others. As long as chronic, structural food insecurity and problems of physical security remain, vulnerability to further food crises remains critically high.

B. The Sahel

18. The Sahel region also remains highly vulnerable to food crises. At the time of writing, the latest reports suggest acute malnutrition levels above international emergency thresholds in Mali, Mauritania, the Niger, Burkina Faso and Chad.[13] In the Niger, notwithstanding the important long-term measures taken by the Government to increase rural food supplies, reinforce the national food security plan, combat desertification and, more generally, tackle the underlying reasons for the recurrent food crisis,[14] the situation remains precarious. The Special Rapporteur carried out an emergency mission to the Niger in 2005 to raise awareness of the severity of the situation and generate an international response. In 2006, despite the better harvest in late 2005, the situation is again deteriorating, food stocks remain low and cereal prices have been rising to as high as 50 per cent more than normal. As of May 2006, 23 zones of the country were in a precarious food security situation and 43 per cent of the country was reported to be at risk of serious food insecurity.[15] WFP and the Government have been responding, but resources available are inadequate and there is an urgent need for additional funds. In Mauritania, a succession of natural disasters has devastated rural livelihoods and left

[12] See United Nations Office for the Coordination of Humanitarian Affairs, Regional Overview: Drought in the Horn of Africa, April 2006.

[13] United Nations OCHA Consolidated Appeal, mid-year review dated 18 July 2006.

[14] See Integrated Regional Information Networks (IRIN) news report, "Niger: Government takes lead in combating hunger", 9 August 2006.

[15] See Republique du Niger, Cabinet du Premier Ministre, "Bulletin mensuel d'information sur la situation alimentaire, socio-économique, sanitaire et nutritionelle", 10 juin 2006, Bulletin d'information de la OC/SAP, No. 112.

many people in this arid country unable to feed themselves. The Special Rapporteur is particularly concerned about information that approximately 380,000 Mauritanians will go hungry at the end of July 2006 unless donors fund an additional US$ 4 million for United Nations food relief programmes.[16] The Special Rapporteur appeals to all Governments to respond to these needs. He also reiterates that across the Sahel there is an urgent need not only for food aid, but for investment in longer-term development strategies, especially small-scale water-harvesting and irrigation, that will reduce the vulnerability to drought and food insecurity for the millions of people suffering year after year from hunger and food crises.

C. Darfur

19. The Special Rapporteur continues to be concerned about the situation in the Darfur region of the Sudan where an estimated 250,000 civilians have been displaced or re-displaced by large-scale violence since January 2006. A monthly average of 2.2 million beneficiaries received food assistance, while the total number of vulnerable persons rose to 3.6 million in 2006.[17] The volatile security situation means that this year's harvest will be much smaller than total needs. The ongoing conflict has not only hit regional cereal production; it has also severely reduced food commodity flows and has caused a breakdown of local trade. In addition, the Special Rapporteur is also deeply concerned that humanitarian operations are being threatened by the volatile security situation, and the information suggests that humanitarian agencies do not have access to over 600,000 people. The combination of insecurity and the looting of humanitarian assets has forced significant scaling down of humanitarian operations in several areas.[18] In June and July 2006 alone, eight humanitarian workers were killed. In addition, dozens of trucks loaded with food and medical assistance have been ambushed and looted. Despite the recent signing of the Darfur Peace Agreement, the situation on the ground has not improved and the conflict continues to cause widespread insecurity, displacement, and loss of life, land, livelihoods and livestock, which has severely affected the right to food. The situation of the population remains tragic. Without the presence of a credible multinational force, this tragedy will continue. The Special Rapporteur supports the proposal of the Secretary-General to send a multilateral peacekeeping force to Darfur. The Special Rapporteur is outraged by information he has received that at the end of April 2006, food rations had been cut by half for millions of people in western Darfur and eastern Sudan owing to a significant shortfall in funding. On 9 May 2006 the Special Rapporteur issued a press release urging States parties to the International Covenant on Economic, Social and Cultural Rights to immediately honour their obligations to help ensure the realization of the right to food. Despite some recent extraordinary contributions, it is reported that food aid supplies will run out in September or October.[19]

20. The Special Rapporteur has also received information that since September 2005 attacks by armed militias, including the Janjawid, from Darfur into eastern Chad have caused the forcible displacement of between 50,000 and 75,000 people.

[16] IRIN news report, "Mauritania: WFP appeals for urgent aid to head off food shortages", 16 June 2006.

[17] S/2006/426.

[18] Ibid.

[19] Ibid.

These displaced Chadians have very limited access to humanitarian assistance and are exposed to the threat of further attacks. Along Chad's eastern border with the Sudan, armed groups have been stealing cattle, the main source of wealth of rural communities such as the Dajo, Mobeh, Masalit and Kajaksa. Armed groups continue to operate with impunity, despite repeated international demands that they be disarmed. The Government of Chad has not been able to provide assistance to civilians who have become internally displaced as a result of these attacks.[20]

D. Zimbabwe

21. The Special Rapporteur is concerned about the current situation in some regions of Zimbabwe. The implementation of the land reform programme has created problems of food insecurity. Although the price of maize is currently regulated to ensure that it is affordable for the poorest, other food prices are escalating in the face of economic problems, making it increasingly difficult for very poor people to be able to feed themselves.[21] He is also concerned about some aspects of the ongoing impacts of the slum-clearing Operation Murambatsvina carried out by the Government in 2005, affecting almost 700,000 people. While recognizing the efforts undertaken by the Government to solve this situation, the Special Rapporteur remains concerned about the information he continued to receive that many of those affected still do not have access to sufficient food for themselves and their families.

E. Democratic People's Republic of Korea

22. The Special Rapporteur has continued to raise his concerns with the Government of the Democratic People's Republic of Korea over the realization of the right to food. In the last decade, hundreds of thousands of people have reportedly been killed by a "silent famine".[22] Natural disasters and restrictions on rights, including freedom of movement, and restricted access of humanitarian organizations mean that millions continue to suffer from hunger. The most recent nutritional survey, conducted in October 2004 by WFP, UNICEF and the Government, found that 37 per cent of children were stunted from malnutrition. Recent government decisions to restrict the emergency food assistance provided by international organizations, ban the private sale of grain and restrict the implementation of the public distribution system could lead to further violations of the right to food.[23] According to FAO, even if the entire cereal deficit, currently estimated at 900,000 tonnes for 2005 and 2006, were covered, per capita cereal consumption would remain low and below the nutritional requirement based on

[20] Amnesty International, Chad/Sudan. "Sowing the seeds of Darfur: ethnic targeting in Chad by Janjawid militias from Sudan", June 2006. Available at http://www.web.amnesty.org/library/Index/ENGAFR200062006?open&of=ENG-TCD.

[21] See IRIN news report "Military taking control of food production, claims NGO", 5 April 2006.

[22] Amnesty International, "Starved of rights: human rights and the food crisis in the Democratic People's Republic of Korea", 2004, ASA 24/003/2004. Available at http://www.web.amnesty.org/library/index/engasa240032004.

[23] Human Rights Watch, "A matter of survival: the North Korean Government's control of food and the risk of hunger", May 2006, vol. 18, No. 3 (c).

international standards.[24] While welcoming the move by the Government to allow international organizations to resume their operations in the north, the Special Rapporteur remains concerned that food assistance operations have only been allowed to resume on a smaller scale than before.

F. Afghanistan

23. The Special Rapporteur is also concerned about the situation of the right to food in Afghanistan. It is reported that 5.5 million Afghans are extremely poor and chronically food insecure and another 8.5 million are seasonally food insecure. The volatile security situation in Afghanistan is endangering nutritional status and livelihoods through the displacement of increasing numbers of people in the southern and south-eastern regions. It is also restricting the work of humanitarian organizations including WFP, particularly for the most remote and food insecure communities.[25] In July 2006 the Government and the United Nations launched a joint humanitarian appeal in order to address the food crisis which the country has faced due to inadequate rainfall this year.[26] The Special Rapporteur has collaborated with WFP to raise international attention regarding all these food crises. He is impressed by the commitment and highly efficient work of WFP in crisis situations.

IV. Desertification, land degradation and the right to food

24. Many of the ongoing food crises are the result of the impact of serious drought, desertification and land degradation and rising conflict over deteriorating resources. In arid regions around the world, as the land becomes as hard as concrete and the wells dry up, thousands of families are forced to leave their villages. But where can they go? To the slums which encircle the ever-growing cities of Africa, Asia and Latin America. Deprived of their lands and their subsistence, families suffer from permanent unemployment, hunger and desperation.

25. The destruction of ecosystems and the degradation of vast agricultural zones across the world, especially in Africa, have created tragedies for small farmers and pastoralists who have depended on their land to secure their right to food. It is now estimated that there are around 25 million "ecological refugees" or "environmental migrants",[27] i.e., people who have been forced to flee from their lands as a result of natural disasters, including floods, drought and desertification, and end up struggling to survive in the slums of the world's megacities. Land degradation causes migration and intensifies conflict over resources, particularly between pastoral and farming communities, as the Special Rapporteur witnessed in the Niger and in Ethiopia (see E/CN.4/2005/47/Add.1 and E/CN.4/2006/44). Many conflicts in Africa, including the conflict in the Darfur region of the Sudan, are linked with

[24] See FAO, "Crop Prospects and Food Situation", No. 2, July 2006.

[25] United Nations news service report, "Afghanistan: United Nations food agency renews appeal to fill critical funding shortfall", 3 July 2006.

[26] See United Nations/Government of Afghanistan, Afghanistan Drought Joint Appeal, July 2006.

[27] International Federation of Red Cross and Red Crescent Societies (IFRC), 2003 "World Disasters Report", Geneva, IFRC.

progressively worsening droughts and desertification that have contributed to conflict over resources.[28]

26. Eradicating hunger and fully realizing the right to food will depend on addressing the global problems of desertification and land degradation. With the General Assembly having declared 2006 as the International Year of Deserts and Desertification, this section of the report addresses the impact of desertification and land degradation on the right to food. It also calls for the effective implementation of the United Nations Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa.[29]

27. Globally, desertification and land degradation now affect over 1 billion people in over 100 countries,[30] including millions of people in both North and South, in both developing and developed countries. Dryland regions, where the land is arid or semi-arid and particularly vulnerable to the risk of degradation, comprise over 44 per cent of the world's cultivated land and support one third of the world's population (2 billion people).[31] The vast majority of people living in drylands, about 1.4 billion, live in Asia (including China and Mongolia) and another 270 million people live in Africa, but 140 million people in Europe and 177 million in the Americas are also affected.[32] However, the impacts of land degradation are most severe in developing countries, particularly in Africa, where millions of people are wholly dependent on land for their livelihoods as farmers or pastoralists, and where there are few alternative livelihoods. The African drylands are home to 325 million people, 46 per cent of the population of the continent.[33] Countries with the greatest dryland populations are Nigeria, South Africa, Morocco, Algeria, the Sudan and Ethiopia.[34] Today, in Africa, approximately 500 million hectares of land are affected by degradation, including two thirds of the region's productive agricultural land.[35] The last four decades of repeated drought in the Sudano-Sahelian region have left people and their land increasingly vulnerable to degradation and desertification, and the resulting destitution. In the last year, droughts and food crises have spread across the drylands of the Sahel and the Horn of Africa threatening millions of people with hunger and starvation, as reported above.

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[28] M. Leighton, "Desertification and Migration" in P. M. Johnson, K. Mayrand and M. Paquin, *Governing Global Desertification: Linking environmental degradation, poverty and participation* (Aldershot, United Kingdom, Ashgate, 2006).

[29] See the Convention text at: http://www.unccd.int/convention/text/convention.php?annexNo=0.

[30] International Year of Deserts and Desertification, http://www.iydd.org/, accessed 4 July 2006. Desertification is defined as "land degradation in arid, semi-arid and dry sub-humid areas resulting from various factors, including climatic variations and human activities" in article 1, United Nations Convention to Combat Desertification.

[31] Millenium Ecosystems Assessment, "Ecosystems and Human Wellbeing: Desertification Synthesis" Washington, D.C., World Resources Institute, 2005, p. 1.

[32] R. P. White and J. Nackoney, *Drylands, People, and Ecosystems Goods and Services: A web-based geospatial analysis* (Washington, D. C., World Resources Institute, 2003).

[33] This includes the entire continent, not only sub-Saharan Africa.

[34] "Attacking poverty, while improving the environment: towards win-win policy options". Paper prepared following United Nations Development Programme and the European Commission, Brussels, Belgium, 20-21 January 1999. Available on the Internet at: http://www.undp.org/seed/pei/.

[35] United Nations Environment Programme, 2003, cited in P. M. Johnson, K. Mayrand, and M. Paquin, "The United Nations Convention to Combat Desertification in Global Sustainable Development Governance" in P. M. Johnson, K. Mayrand, and M. Paquin, op. cit.

28. Hunger is highly concentrated in arid countries where rainfall is low and uncertain, but where people nevertheless remain dependent on agricultural economies, especially in Africa. In the Niger, for example, which the Special Rapporteur visited in 2001 and again in 2005, close to 95 per cent of productive land is dryland and the population is predominantly rural, chronically poor and subject to repeated food crises (see E/CN.4/2006/44). In Zimbabwe, the overwhelming majority of the poor live in rural areas and poverty is deepest in the low-rainfall areas of Matabeleland South, Masvingo and Matabeleland North provinces.[36] In Chad, which has an agricultural economy reliant on volatile rains, four fifths of the population is rural and an even higher proportion is poor.[37] Levels of undernourishment are particularly high across sub-Saharan Africa, with 34 per cent of its population, or 186 million people, chronically undernourished.[38] Sub-Saharan Africa is also the only region in the world where food production per capita is not expected to be able to keep up with population growth[39] and where food insecurity is increasing.[40]

29. It is estimated that 50 per cent of the world's 852 million hungry people live on marginal, dry and degraded lands, according to the Millennium Project Task Force on Hunger.[41] Half of the world's hungry people therefore depend for their survival on land which is inherently poor, and may be becoming less fertile and less productive as a result of the impacts of repeated droughts, climate change and unsustainable use of the land. This means that eradicating hunger will require addressing desertification and land degradation as a key element of realizing the right to food. The Millennium Project report suggests that "[a]bout half of food-insecure people in developing countries are farm households in higher-risk lands with low or highly unreliable rainfall, inherently poor or degraded soils, unfavourable topography and remoteness from markets and public services. These are mainly located in sub-humid and semiarid regions — generally referred to as drylands, and in hillsides and mountains in the humid tropics, in comparison with irrigated areas or fertile valley bottoms."[42]

30. The poor are often blamed for land degradation and desertification. It is assumed that, faced with the imperative of short-term survival, they may have no other choice than to act against their long-term interests by degrading their land, as they strive to meet their short-term basic needs for food, shelter and a livelihood.[43] Overgrazing, deforestation, extensification and intensification of agriculture and unsustainable population growth are causes of land degradation and

[36] *Rural Poverty Report 2001: The Challenge of Ending Rural Poverty* (New York, International Fund for Agricultural Development, Oxford University Press, 2001).

[37] Ibid.

[38] *The State of Food Insecurity in the World 2000*, op. cit. at note 1.

[39] "Assessment of the World Food security situation". Paper prepared for the 26th session of the Committee on World Food Security, 18-21 September 2000, (Rome, FAO, 2000).

[40] *The State of Food Insecurity in the World 2000*, op. cit. at note 1.

[41] Millennium Project Task Force on Hunger "Halving Global Hunger", background paper on The Task Force 2 on Hunger, Millennium Project (New York, 18 April 2003).

[42] Ibid, p. 43.

[43] Stephen Devereux, "Food Insecurity in Ethiopia". Discussion paper prepared for DFID, IDS Sussex, October 2000.

desertification.[44] However, it is important to recognize that these immediate causes are usually linked to much broader causes.[45] Many factors affect land degradation, including people's lack of access to water, agricultural inputs, credit and agricultural infrastructure that would allow sustainable agriculture. The poor often have little choice but to live on land that is inherently poor and risk prone, with limited access to water and other infrastructure services, sometimes because they have been pushed off more fertile lands by wealthier landowners. The broader impacts of global climate change, economic globalization, and political and economic marginalization can all affect livelihoods in dryland areas.[46] A whole range of different factors at local, national and global levels in each country have an impact on land degradation and desertification, including inappropriate government policies.[47]

31. Although the poor are often blamed for land degradation, inappropriate national and international policies for the drylands have sometimes been more to blame. In the past, policies have been based on misunderstandings of the ecological dynamics of dryland regions and of traditional land use practices, particularly pastoralism.[48] Although pastoralists were long blamed for overgrazing, it is now recognized that pastoralist strategies are very well adapted to the special risks that characterize drylands, as long as pastoralists are able to follow the rains with their animals. Unfortunately, there has been a tendency to impose modern models of land management which have encouraged fencing and privatization of the land to create ranching systems that restrict the movement of animals and people, have been ill-adapted to the drylands and have resulted in overgrazing and land degradation. More recently, however, many experts have come to recognize that the traditional way of life of nomadic pastoralists is very well adapted to managing the risks and making the best use of marginal drylands.[49]

32. While overpopulation is often a factor that causes land degradation, it does not inevitably lead to land degradation and desertification. In Kenya, for example, the previously highly degraded lands of the Machakos district are in a much better state today that they were in the 1930s, despite the population having increased by more than five times. The introduction of terracing, small-scale water-harvesting and the planting and protection of trees, and substantial investment in infrastructure,

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[44] See A. McCulloch, S. Babu and P. Hazell, eds. *Strategies for Poverty Alleviation and Sustainable Natural Resource Management in the Fragile Lands of Sub-Saharan Africa* (Feldafing, Germany, Deutsche Stiftung fur Internationale Entwicklung (DSE), 2000) and N. Ahmed, "Economic, social and cultural causes and consequences of drought and desertification", IFAD Technical Advisory Division (no date). Paper available on the Internet at: http://www.unccd.int/knowledge/INCDinfoSeg/partiii.php#para1.

[45] S. A. Way, "Examining the Links between Poverty and Land Degradation: From Blaming the Poor towards Recognising the Rights of the Poor" in P. M. Johnson, K. Maynard, and M. Paquin, op. cit.

[46] *The Social Dimensions of Desertification: Annotated Bibliography and Literature Review* (London and Nairobi, IIED/UNRISD, 1996).

[47] M. Leach and R. Mearns, eds., *The Lie of the Land: Challenging Received Wisdom on the African Environment* (Oxford, James Currey, 1996), and Tim Forsyth and Melissa Leach with Ian Scoones, "Poverty and Environment: Priorities for Research and Policy: An Overview Study". Paper prepared for the United Nations Development Programme and European Commission, September 1998, IDS: Sussex.

[48] I. Scoones, ed., *Living with Uncertainty: New Directions in Pastoral Development in Africa* (London, Intermediate Technology Publications, 1994).

[49] Ragnar Øygard, Trond Vedeld and Jens Aune "Good Practices in Drylands Management". Paper prepared by Noragric Agricultural University of Norway for the World Bank: Washington, D.C.

including markets and development, have facilitated a rehabilitation of degraded land.[50] The Special Rapporteur also found on his mission to Ethiopia that in regions where there has been significant investment in the land and infrastructure, particularly in small-scale water-harvesting, the land can be rehabilitated to become substantially more productive (see E/CN.4/2005/47/Add.1). In fact, investment in small-scale water-harvesting can be one of the key elements in improving the realization of the right to food in arid regions.

33. Unfortunately, however, despite evidence that investment in drylands, including public investment in sustainable water management, is essential to rehabilitate land and to reduce the impact of land degradation on hunger, few resources are directed towards rural drylands. Hunger and food insecurity persist not only because of the low productivity and the threat of drought, but because of the lack of adequate investment in these areas and the lack of recognition of the rights of the people who live in them. International efforts to combat hunger — including poverty reduction strategies — still pay little attention to the problems of land degradation and desertification. Investment in rural development in terms of government and donor expenditure continues to fall, and drylands are accorded a very low level of priority, disproportionate to their size, population and need. Donors do respond to severe droughts by offering food aid, but offer little in the way of longer-term development aid that would break the cycle of repeated drought, degradation and destitution. And while food aid saves lives, it does not save livelihoods — it is not a long-term solution, as the Special Rapporteur has found in Ethiopia and the Niger (see E/CN.4/2005/47/Add.1 and E/CN.4/2006/44).

34. It is essential to invest in long-term development that reduces vulnerability to drought and desertification. This is possible. During his visits to the Niger in 2001 and 2005, for example, the Special Rapporteur found that the Niger's water resources were quite vast. Beneath the Niger's desert lies one of the largest fresh water acquifers in the world, and there is significant potential for better management of the Niger River and rainwater run-off.[51] Investing in small-scale water harvesting and digging wells where appropriate have reduced the vulnerability to drought of people dependent on rain-fed agriculture and has allowed some people in the Niger to grow three crops per year. Although the cost of a well depends on its depth and is difficult when the water line can be as far down as 80 metres, in many regions water is accessible at a relatively shallow 6 metres. In the Niger one quarter of the children die before they reach the age of five; this tragedy could be prevented. The main problem has been the lack of finance available to invest in small-scale water management to improve food security.

35. The Special Rapporteur is therefore encouraged that, in the drive to implement the Millennium Development Goals, there is growing international awareness of the need to invest in drylands to fight hunger. The Millennium Project Task Force on Hunger placed special emphasis on marginal rural areas, including drylands, and argued that reaching the Millennium Development Goals on hunger will require

[50] M. F. Tiffen and M. J. Mortimore, *More People, Less Erosion: Environmental Recovery in Kenya* (Chichester, UK, J. Wiley, 1994).

[51] This includes 2 million m^3 of renewable water and 2,000 million m^3 of non-renewable water in subterranean aquifers, as well as the Niger River with 30 million m^3 per year, of which only 1 per cent is exploited. See Government of Niger, Ministry of Water Resources, "Liste des projets dont le financement est à rechercher et des fiches de syntheses".

investment in these lands. The report of the Task Force argues that "[t]o ignore marginal lands would consign millions to poverty and abandon vast areas of genuine potential".[52]

36. As all Governments know well, a failure to resolve the issue of land degradation and desertification in Africa and around the world is likely to lead to even greater conflict and to further migration flows towards the developed countries. In 2005, 7,500 African migrants fled by boat to the south of Spain and at least 1,000 people did not survive the crossing. In 2006, the pattern has been almost the same. The response of Europe and other developed countries must be more than simply to increase the patrolling and surveillance of borders; the root causes of extreme poverty and economic migration, including desertification and land degradation, must be addressed.

37. Under current international law, there is no legal protection for an "ecological refugee", as the status of "refugee" applies only to a person fleeing persecution, as defined in article 1 of the 1951 United Nations Convention relating to the Status of Refugees. However, there is a legal framework under the Convention to Combat Desertification which aims to prevent desertification and land degradation, and their impacts on poverty and migration. This convention is the only international legal instrument which focuses attention specifically on dryland regions and desertification-affected communities around the world. Coming into force exactly 10 years ago, it has been ratified by 191 States and has greatly contributed to arising international awareness of the desertification-related issues in rural drylands, focusing on both desertification and development. However, a gap in implementation remains as a result of a lack of financial resources from national Governments and international donors.

38. With repeated droughts and repeated famines, especially in Africa, it is clear that there is an urgent need to invest and to build resilience to drought, which comes repeatedly and regularly, if not predictably, to dryland regions. It is unacceptable that drylands are still accorded such a low level of priority, disproportionate to their size, population and need. The Special Rapporteur therefore calls for the full implementation of the Convention to Combat Desertification, and of the International Covenant on Economic, Social and Cultural Rights, to ensure the full realization of the right to food in the drylands.

39. For all the States parties to the International Covenant on Economic, Social and Cultural Rights, realizing the right to food is not merely a policy choice, but a legal obligation. There is a legal obligation on Governments to respect, protect and fulfil the right to food of all those under their jurisdiction, including people living in marginalized drylands. This means respecting and protecting appropriate livelihood strategies, but also where necessary supporting livelihoods to fight hunger and realize the right to food. All Governments also have extraterritorial obligations towards the realization of the right to food, as outlined in the Special Rapporteur's last report to the Commission on Human Rights (E/CN.4/2006/44). This means that all Governments must support the realization of the right to food in other countries, including for people living in marginalized drylands.

[52] Millennium Project 2004 interim report: *Halving hunger by 2015: a framework for action*, interim report, op. cit. at note 3, p. 164.

V. The new Human Rights Council and the right to food

40. The Special Rapporteur welcomes the establishment of the Human Rights Council. He believes that the creation of the Council, on a permanent basis with more extensive powers, will be very important if, in its future work, it succeeds in making Governments more accountable and people more empowered to claim their rights. This would ensure better protection of all human rights, including the right to food. In this section, the Special Rapporteur apprises the General Assembly of important results that have already been achieved by the Council during its first session, held in June 2006, and how they are related to the right to food.

A. Legal protection for indigenous peoples

41. At its first session, the Human Rights Council adopted the United Nations Declaration on the Rights of Indigenous Peoples (resolution 2006/2), which is particularly relevant for the right to food.

42. As the Special Rapporteur underlined in a previous report to the General Assembly (A/60/350), the right to food of indigenous peoples is frequently denied or violated, often as a result of systematic discrimination or the widespread lack of recognition of indigenous rights. Indigenous and tribal peoples comprise some 5,000 distinct peoples and around 350 million persons, with the vast majority living in developing countries. The levels of hunger and malnutrition among indigenous peoples are generally disproportionately higher than among the non-indigenous population. In Guatemala, for instance, while the present Government has made important efforts to promote the right to food, indigenous peoples still face much higher levels of poverty and malnutrition than the rest of the population. In many countries, inappropriate development efforts can intensify their marginalization, poverty and food insecurity by failing to recognize indigenous ways of ensuring their own subsistence. Some of the key issues facing indigenous peoples include the lack of recognition of their rights to land and resources, the appropriation of their resources, including through intellectual property rights, and their lack of access to justice.

43. Until now, the only international instrument offering specific protection for indigenous peoples was the Indigenous and Tribal Peoples Convention, 1989 (Convention No. 169) of the International Labour Organization (ILO), which has been ratified by 17 States. This Convention is important, protecting indigenous peoples' right to food, as well as a broad range of civil, political, economic, social and cultural rights. The adoption by the Human Rights Council of the United Nations Declaration on the Rights of Indigenous Peoples offers the possibility of greater protection for indigenous peoples, going beyond the ILO Convention. The Declaration recognizes that indigenous peoples have the right to the full enjoyment, as a collective or as individuals, of all human rights and fundamental freedoms as recognized in the Charter of the United Nations, the Universal Declaration of Human Rights and international human rights law. It also recognizes their right to self-determination and rights over land and resources, acknowledging the historical injustices of colonization but also addressing contemporary threats posed by economic globalization, offering protection of traditional knowledge, biodiversity and genetic resources, and setting limits on the activities of third parties on the territories of indigenous communities without their consent. This new instrument,

even if it is not a treaty, represents an important new tool that indigenous peoples can use to claim their rights, including their right to food, and seek appropriate remedies in case of violations.

44. In his report to the General Assembly last year, the Special Rapporteur recommended that States should take special measures to respect, protect and fulfil the right to food of indigenous populations and stressed that they must not tolerate discrimination against them. An important step this year would be the adoption by the General Assembly of the Declaration, if possible by consensus. That would send a clear message to the indigenous peoples that their rights are recognized and given priority by all States. The Special Rapporteur also encourages all States to take the appropriate steps to implement the Declaration at the national level. The next step would be the elaboration and adoption of a new binding instrument, such as an international covenant on the rights of indigenous peoples.

B. Optional protocol to the International Covenant on Economic, Social and Cultural Rights

45. The Special Rapporteur welcomes the decision of the Human Rights Council in its resolution 2006/3 to renew the mandate of the Working Group on an optional protocol to the International Covenant on Economic, Social and Cultural Rights for a period of two years, with a specific mandate to elaborate a first draft optional protocol.

46. The elaboration of an optional protocol to the International Covenant on Economic, Social and Cultural Rights will mark significant progress at the international level in the development of a practical framework for the understanding and implementation of economic, social and cultural rights, including the right to food. Its adoption would greatly improve access to justice for victims of violations of the right to food, by allowing individuals or groups to bring a complaint directly to the Committee on Economic, Social and Cultural Rights.

47. Lack of access to justice is a serious problem for victims of violations of the right to food. During his missions to countries such as Brazil, Ethiopia and Bangladesh, the Special Rapporteur found that it is sometimes very difficult for poor people and peasant farmers to have access to justice before local and national tribunals. Strengthening and reform of national justice systems, including in rural areas, are therefore essential to ensure justice for the poor. Strengthening of mechanisms at the international level is also essential for victims of violations. In many countries the right to food is still not justiciable at the national level. This is why the adoption of an optional protocol is important. It will allow victims, once they exhaust national mechanisms of redress, to submit their case to the Committee on Economic, Social and Cultural Rights.

48. Access to justice can concretely improve the realization of the right to food. In India, for example, where the right to food is judicially enforceable, the People's Union for Civil Liberties, a human rights organization, brought public interest litigation to the Supreme Court on behalf of people suffering from hunger. In response, the Court directed all State governments to improve the implementation of the food relief programmes of the central Government, including the Targeted Public Distribution Scheme, the Integrated Child Development Scheme and the Mid-Day Meals Scheme. These directives, by transforming the policy choices of the

Government into enforceable, justiciable rights of the people, have significantly improved the realization of the right to food by holding local and national authorities accountable for ensuring freedom from hunger (see E/CN.4/2006/44/Add.2).

49. Many arguments have been advanced in the past to suggest that the right to food could not be justiciable (see E/CN.4/2002/58). However, developments in case law at the national, regional and international levels on the right to food and other economic, social and cultural rights have shown that arguments against the justiciability of these rights are now outdated and no longer credible. The definition of right to food has been the subject of considerable development, from the legal doctrine to the work of the former Special Rapporteur of the Subcommission on Prevention of Discrimination and Protection of Minorities on the right to food, Asbjorn Eide, and of the Committee on Economic, Social and Cultural Rights, as well as case law. This has shown how the Committee can determine in a concrete case whether the right to food has or has not been violated. It has also shown that both the progressive realization and the resources requirements are not barriers to justiciability.

50. As requested by the Human Rights Council, the Chairperson of the Working Group will prepare a first draft optional protocol to be used as a basis for the forthcoming negotiations. The Special Rapporteur encourages the Chairperson to base this work on the existing draft optional protocol produced by the Committee on Economic, Social and Cultural Rights (E/CN.4/1997/105, annex) which is an excellent starting point. The Special Rapporteur also believes that all human rights recognized in the International Covenant on Economic, Social and Cultural Rights are justiciable and encourages States to ensure that under the optional protocol the Committee will be able to make determinations concerning possible violations of all these rights.

C. The right to development

51. The right to development is also particularly important for the implementation of economic, social and cultural rights. The Special Rapporteur welcomes adoption of resolution 2006/4 in which the Human Rights Council endorsed the recommendations of the Working Group on the Right to Development adopted at its seventh session in January 2006 and decided to renew its mandate for one year. At the World Conference on Human Rights in Vienna in 1993, all States recognized that the right to development is a universal and inalienable right and an integral part of fundamental human rights. Article 1 of the Declaration on the Right to Development defines the right as "an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized".

52. The right to development is intrinsically linked to the full realization of all human rights, including and especially the right to food. Arjun Sengupta, independent expert on the right to development, has said that States should adopt a step-by-step approach to the right to development that aims to achieve, as a matter of urgency, three basic rights: the right to food, the right to primary education and the right to health. That would mean that "[t]hese rights would claim the priority in

the use of the States' financial and administrative resources" (E/CN.4/1999/WG.18/2, para. 70). The Special Rapporteur concurs.

53. All States have the obligation to cooperate internationally and to use their resources in an appropriate manner to realize the right to development. As the Declaration on the Right to Development stipulates, "States have the primary responsibility for the creation of the national and international conditions favourable to the realization of the right to development" (art. 3). Creating such favourable conditions means that Governments must promote development policies and international cooperation that respect, protect and fulfil all human rights, including the right to food. As the Working Group on the Right to Development has suggested, this means increasing both the quantity and the quality of official development aid, eliminating obstacles to development, including foreign debt, and assessing carefully the social impacts of international trade and the activities of transnational corporations (see E/CN.4/2006/26). All these issues are closely related to the issue of the protection of the right to food in an era of globalization which the Special Rapporteur addressed in his last report (E/CN.4/2006/44) which he will present to the Human Rights Council at its next session. By addressing them, the Working Group on the Right to Development provides an invaluable input to the realization of the right to food.

VI. Conclusions and recommendations

54. **The Special Rapporteur makes the following conclusions and recommendations:**

(a) **The current massive underfunding of United Nations programmes, especially in Darfur, the Sahel and the Horn of Africa, is unacceptable. The right to food is primarily a national obligation, but when resources fall short in crisis situations, it becomes an international obligation to prevent starvation. All Governments have a responsibility to respond to urgent appeals in relation to food crises;**

(b) **The collapse of the Doha Round of WTO trade negotiations and the failure to revise the "rigged rules and double standards"[53] of the current Agreement on Agriculture is also unacceptable. Dumping must not be permitted when it displaces livelihoods, especially in countries where the majority of the population still depend on agriculture for securing their right to food. All Governments have a responsibility to create the international conditions that permit the realization of the right to food;**

(c) **Hunger is still primarily a rural problem, and the majority of those suffering from hunger depend on small-scale agriculture and pastoralism but do not have sufficient access to productive resources such as land, water, infrastructure and extension services. Improving access to productive resources and public investment in rural development is essential for eradicating hunger and poverty;**

(d) **Approximately 50 per cent of those suffering from hunger live on marginal and degraded lands, including drylands facing desertification.**

[53] Available at http://www.maketradefair.org/assets/english/report_english.pdf.

Fighting hunger in rural areas must therefore include fighting desertification and land degradation, through investments and public policies that are specifically appropriate to the risks of the drylands. Full implementation of the United Nations Convention to Combat Desertification is a global responsibility;

(e) Preventing famine requires reducing vulnerability to drought, particularly in Africa. Investment in appropriate, small-scale irrigation and water management technologies must be a central part of strategies for reducing vulnerability to drought;

(f) International protection of "ecological refugees" or "environmental migrants" is currently as inadequate as the low level of investment addressing the root causes of environmental migration. Protection under international law should be instituted for people forced to flee their lands for environmental reasons;

(g) International protection of indigenous peoples also remains inadequate, and the right to food of indigenous peoples is frequently denied or violated, given systematic discrimination and the widespread lack of recognition of indigenous land and water rights. The Special Rapporteur urges the General Assembly to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a first step in the elaboration and adoption of a new binding instrument, such as an international convention on the rights of indigenous peoples;

(h) Access to justice for victims of violations of the right to food is central to the protection of this right. Protection of the right to food at national, regional and international levels must be ensured by strengthening judiciaries and by ensuring the justiciability of the right to food. The Special Rapporteur urges all Governments to work constructively on the elaboration of an optional protocol to the International Covenant on Economic, Social and Cultural Rights;

(i) The right to food is closely linked to the right to development. The Special Rapporteur calls on all States to commit to finding practical steps to make the right to development a reality;

(j) In a world richer than ever before, the fact that one child dies of hunger every five seconds is a shame on humanity. It is a violation of human rights. We cannot leave these children to die.

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Eradication of poverty and other development issues: implementation of the first United Nations Decade for the Eradication of Poverty (1997-2006)

Observance of the International Year of Microcredit, 2005

Report of the Secretary-General

Summary

The present report is submitted in response to General Assembly resolution 59/246 of 22 December 2004, in which the Assembly requested the Secretary-General to prepare a report on the observance of the International Year of Microcredit, 2005. The present report provides information on the commemorative activities and initiatives undertaken at all levels to achieve the objectives of the Year. It gives an overview of the wide range of national efforts, which played a key role in the Year's success. The report highlights major activities and events launched at the international level under the auspices of the Year in partnership with diverse actors. It concludes that the observance of the Year contributed to increasing global awareness about microcredit and microfinance as significant instruments in the fight against poverty and as an important part of collective efforts towards achieving the Millennium Development Goals.

* A/61/150.

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I. Introduction

1. The General Assembly, in its resolution 53/197 of 15 December 1998, proclaimed 2005 as the International Year of Microcredit to give impetus to microcredit programmes throughout the world. The Assembly invited Governments, the United Nations system, relevant non-governmental organizations (NGOs), the private sector and other actors to highlight and recognize the role of microcredit in the eradication of poverty, its contribution to social development and its impact on the lives of people living in poverty. In resolution 58/221 of 23 December 2003, the Assembly invited the Department of Economic and Social Affairs of the Secretariat and the United Nations Capital Development Fund (UNCDF) to jointly coordinate the activities of the United Nations system for the preparation and the observance of the Year. It also invited Member States, relevant organizations of the United Nations system, NGOs, the private sector and civil society to collaborate in the observance of the Year. In resolution 59/246 of 22 December 2004, the Assembly decided to devote one plenary meeting of the sixty-first session to the consideration of the outcome and follow-up to the Year, and requested the Secretary-General to prepare a report on the observance of the Year.

2. The present report takes stock of the activities and initiatives carried out at the national, regional and international levels in observance of the Year, taking into account replies submitted by Member States[1] in response to the note verbale of the Secretary-General dated 21 February 2006, as well as information provided to the Department of Economic and Social Affairs and UNCDF by the national committees for the Year. Responses received from relevant organizations of the United Nations system are also included in the present report.[2] In addition, UNCDF has issued a separate, more detailed final report on the Year for wider circulation.[3]

3. As outlined in the programme of action,[4] the main goals of the Year were to assess and promote the contributions of microcredit and microfinance towards achieving the Millennium Development Goals; increase public awareness and understanding of microcredit and microfinance; promote inclusive financial systems, especially for poor people; support sustainable access; and encourage innovation and partnership. The main message of the Year was the urgent need to build inclusive financial sectors to help poor people around the world to gain access to affordable financial services. The focus of the Year was on microfinance which, as a broader concept, includes microcredit as well as other financial services such as savings, insurance, and money transfers.

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[1] Algeria, Bangladesh, Belarus, Brunei Darussalam, Burkina Faso, Ecuador, El Salvador, Ethiopia, France, Georgia, Israel, Kuwait, Latvia, Lebanon, Libyan Arab Jamahiriya, Mauritius, Monaco, Mongolia, Mexico, Netherlands, Oman, Pakistan, Panama, Poland, South Africa, Sudan, Thailand, Trinidad and Tobago, Ukraine, United Kingdom of Great Britain and Northern Ireland and United States of America.

[2] Economic Commission for Africa, Economic and Social Commission for Asia and the Pacific, Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development, International Monetary Fund, United Nations Children's Fund, United Nations Conference on Trade and Development, United Nations Educational, Scientific and Cultural Organization, World Bank and World Food Programme.

[3] United Nations (2006), *Building Inclusive Financial Sectors for Development*, United Nations Sales No. 06.II.A.3.

[4] See A/58/179, sect. II.

II. Institutional arrangements

4. The Coordinating Committee established by the Department of Economic and Social Affairs and UNCDF was responsible for undertaking communication activities to promote the theme and objectives of the Year, and for encouraging and providing support to the activities of the national committees as well as regional and international partners. It focused its activities in four major areas: communication initiatives to build broad public awareness; partner engagement; special events; and substantive outcomes for the Year. The Department of Public Information of the Secretariat provided valuable support for the production of promotional materials and the dissemination of information about the Year worldwide and the organization of briefings and special events. Financial support for the Year was provided by several core sponsors, including Citigroup, ING Group, and Visa International. Additional support came from the United Nations Foundation, UNCDF, and the United Nations Development Programme (UNDP).

5. The Coordinating Committee invited a small group of high-level individuals to serve as Patrons of the Year in one of three capacities: Emissaries, Spokespersons or Advisers. The Emissaries, comprised of dignitaries committed to the goals of the Year, helped to raise awareness about the importance of microfinance in the eradication of poverty and engaged broad constituencies in the objectives of the Year. They attended special events and publicly supported the Year through a variety of activities such as speaking engagements and participation in public service announcements. The Spokespersons included prominent personalities in the arts and entertainment. They endorsed the Year's goals as part of their public appearances at various events. The Advisers Group was composed of key figures from Government, the microfinance industry, banking and the private sector. The Advisers were committed to promoting greater understanding and awareness of the potential of microfinance; securing the commitment of governments, donors, non-governmental institutions, and the private sector; and contributing to the goal to enable more poor people to gain access to quality financial services. They made an important contribution to the success of the Year by using their expertise, experience and public visibility to promote the goals of the Year among decision makers, and by facilitating the dissemination of key messages as part of the Year's communication campaign.

6. In addition, leaders of a number of microfinance institutions and international, regional and national networks of microfinance institutions were invited by the Department of Economic and Social Affairs to form an informal group of practitioners known as the "Friends of the Year" to assist the United Nations in promoting the objectives of the International Year of Microcredit, 2005, in particular to increase awareness about the need to build inclusive financial sectors to meet the needs and demands of poor people.

III. Activities at the national level

A. National committees

7. The national committees played a key role in promoting dialogue on best practices among stakeholders and provided vital support in identifying and

addressing the barriers that many poor people face in accessing financial services. More than 60 countries established national committees and focal points, and activities to advance microfinance programmes were undertaken in over 100 countries.

8. To promote the objectives of the Year, the national committees, along with Governments and other actors, undertook initiatives to address three main goals: filling information gaps; raising public awareness; and building national commitment to develop microfinance programmes and increase accessibility for people living in poverty. Many countries were able to address information gaps by conducting research, assessing current practices and developing recommendations for national strategies to implement necessary changes. To raise public awareness, round tables, conferences and other public events were organized. In addition, many new and innovative approaches were devised, such as through mass media campaigns, the creation of websites, theatre and trade shows. Efforts of the national committees to build commitment to create an environment conducive to microfinance institutions and microentrepreneurs included building networks, mobilizing resources, holding workshops and addressing barriers in a country's legal framework.

B. Africa

Filling information gaps

9. The National Committee of Benin conducted a study to measure the impact of microfinance on poverty reduction. The results were discussed at a colloquium and the findings of the study will be published in 2006. In Mauritius, UNDP and UNCDF worked with stakeholders to conduct a review of the viability, creditworthiness and sustainability of microfinance providers. In Burundi, a census of microfinance institutions was undertaken and the first national databank on microfinance activities was established.

10. The South African Microfinance Apex Fund was established in South Africa to address issues of access to affordable financial services. In addition to its other key initiatives, the Fund is piloting a South African microfinance model that will provide credit for microenterprise and self-employment, credit for poverty alleviation and capacity-building as a means of ensuring sustainability.

Raising public awareness

11. Countries in the region employed a number of communication tools to raise public awareness. Government representatives from the highest levels were frequently involved in the promotion of the Year and many national figures volunteered as spokespersons to help draw attention to the events. The National Committees of the Comoros, Madagascar and Malawi launched media campaigns by publishing articles in local newspapers and widely disseminating pamphlets and publications on microcredit. The National Committee of Nigeria hired two communications firms to execute a media plan for the Year, which reached an estimated 80 million Nigerians. In addition to using television and radio to raise public awareness, a newsletter and a website on microcredit were also created for that purpose.

12. In Botswana, the Botswana International Trade Fair was held to celebrate the Year and to educate the public. Success stories of microfinance clients were documented and distributed at the Fair. The National Committees in Burundi, Ghana, Guinea-Bissau and Côte d'Ivoire reached out to the public through radio talk shows, debates, dramas and documentaries. Those Committees also involved universities in order that students could learn about microcredit and microfinance. In Angola, Burkina Faso, the Central African Republic and Kenya, official ceremonies to launch the Year were held and presided by high-level officials. Paraphernalia displaying the microfinance logo were also distributed to the public to promote the Year. In South Africa, the Year was officially launched at the Johannesburg Securities Exchange.

13. Numerous conferences and round tables were held throughout the region, often focusing on issues such as awareness-raising and sharing of best practices, and were well attended by many countries. The Association of Ethiopian Microfinance Institutions partnered with various organizations to hold the first World Conference on Agricultural Finance, in Ethiopia. Other countries such as Burkina Faso, Burundi, the Comoros, the Libyan Arab Jamahiriya, Mauritania, South Africa, Togo and Uganda participated in various conferences and seminars to discuss the role of microfinance in poverty reduction.

14. Burkina Faso organized an educational seminar on microfinance for students and courses on microfinance were offered at the University of Ouagadougou. In Kenya, information was widely disseminated in school-based programmes and throughout the country with the Coastal Province Awareness Campaign in Mombasa, and the Embu Microfinance Campaign in the Eastern province. In Algeria, an agreement was signed between the Ministry of Professional Training and Education and the Ministry of Labour and National Solidarity to promote and spread awareness of microcredit in professional training centres. Senegal launched its first microfinance network in the country, Crédit Mutuel du Sénégal, and celebrated the tenth anniversary of PANMECAS (Programme d'Appui aux Mutuelles d' Épargne et de Crédit au Sénégal), one of the country's biggest microfinance institutions.

Building commitment

15. Many countries developed partnerships to improve institutional capacity for the delivery of financial services to the poor. In Morocco, professional networks were organized to support microfinance at the national level. The National Committee formed a partnership between the Government and the private sector, and supported a law exempting entrepreneurs from a value added tax for a five-year period following the establishment of a microenterprise. The Government of the Sudan worked to broaden financial services through active partnerships with local community organizations and specialized voluntary organizations. In the Niger, the National Committee held a partnership workshop with agricultural organizations and microfinance institutions, and the National Council of Microfinance was formed to implement the national strategy for microfinance during the year.

16. The Government of Burkina Faso created and promoted technical inter-institutional centres of microfinance organizations for the purpose of providing technical services for the professional development of microfinance institutions. In South Africa, the Government set aside up to US$ 50 million for three years for institutional capacity-building and funding for pro-poor microfinance institutions

and outreach. The Libyan Government established a national employment fund to link a lending policy with job opportunities, and reserved an amount of 2 billion Libyan dinars for microlending over a period of five years. A conference on small producers was organized with the International Labour Organization (ILO). The National Microcredit Support Fund was created in Algeria and enabled the financing of over 3,300 activities, involving buying of raw materials which generated almost 5,000 jobs. The National Committee of Togo worked with the Government to develop a microfinance strategy through 2008, and the Reserve Bank of Zimbabwe formed a National Task Force on Microfinance and expects to have a national policy drafted by 2006.

C. Asia and the Pacific

Filling information gaps

17. Countries in Asia attempted to fill information gaps through research and training. Nepal undertook research on issues such as microfinance in conflict situations, on improving access of microfinance institutions to remote areas and on the sustainability of informal savings and credit groups. Training and other capacity-building activities were targeted at microfinance institutions, frequently using the UNCDF microfinance distance learning course. Uzbekistan conducted a survey of microfinance institutions and developed a draft decree based on the results of the survey. Bangladesh published a book entitled *State of Microcredit*.

18. In the Philippines, numerous training sessions on microfinance were organized and many seminars were held to encourage the sharing of experience and new technologies among practitioners. Oman held a workshop with ILO on best practices in microfinance and organized meetings for job-seekers to guide and motivate them to make use of microfinance. Azerbaijan's National Committee organized marketing and training services and offered advice and legal support to stimulate microentrepreneurship development. Mongolia's National Committee developed a training toolkit, created a database of microfinance institutions and established a local microfinance institution rating system as well as a Microfinance Competence Centre.

Raising public awareness

19. In Azerbaijan, Bangladesh, Bhutan, Indonesia, Mongolia, Nepal and the Philippines, ceremonies or events were organized to launch the Year. Those events were typically attended by the Head of State or Government or other senior Government officials. Closing ceremonies were also held in Australia, Azerbaijan, Bangladesh and the Philippines.

20. A large number of seminars and conferences were organized throughout the Year. The Indonesian National Committee held a two-day conference on "Financial Services to Rebuild Livelihoods in Aceh". An international conference on scaling up financial services for the poor in Pakistan and Afghanistan was among the various conferences and seminars organized in Pakistan. Thailand hosted a high-level international conference on "Empowering the Grassroots Economy: Microfinance for Growth and Happiness". In Nepal, a half-day interaction Programme on the Linkages between Microfinance and the Millennium Development Goals was

organized. The Bhutan Development Finance Corporation organized a workshop and the National Committee held a series of presentations at forums on microfinance.

21. One of the events organized in China was a regional workshop on microfinance and women's development, which discussed the possibility of an Asia-wide network on microfinance. The National Committee of Mongolia organized a series of meetings, round tables and conferences involving different stakeholders, including a national summit on microcredit and entrepreneurship. One of these meetings led to the formation of a network of academics and researchers in the area of microfinance. In Israel, several workshops on microcredit were held for professionals from 28 different countries. Turkey's National Committee held monthly thematic round tables, and Uzbekistan organized a round table on opportunities for the microfinance sector in the country.

22. In Azerbaijan, Bangladesh, Nepal and the Philippines, special fairs or exhibitions were organized to promote the products of microcredit borrowers. In Mongolia, a bank opened a "made by an entrepreneur" shop in the capital city. Azerbaijan also organized credit fairs to support low-income people who previously had no access to financial services, and in Indonesia, a national bazaar designed to assist micro, small and medium enterprises in accessing financial services from commercial banks was held in several cities.

23. Most countries actively used the media to raise awareness about the Year. Special supplements, reports, articles and features appeared in national newspapers in Bangladesh, Nepal, the Philippines and Uzbekistan. Talk shows and success stories of microfinance clients were broadcast on the radio and national television in Bangladesh, Mongolia and Nepal. In Mongolia, a series of radio programmes on how to start a business was broadcast, and documentary films on microfinance were aired in Bhutan, Nepal and Pakistan. Websites on the Year were created in Australia, Azerbaijan, Mongolia, the Philippines and Uzbekistan; and Turkey created a virtual microfinance information centre.

24. Several countries developed innovative mechanisms to raise awareness. Nepal presented national awards to successful microentrepreneurs and writers who published articles and newspapers with the best coverage on microfinance. Special awards, often in addition to the Global Microentrepreneurship Awards, were also organized in Bangladesh, Mongolia and Pakistan. Essay competitions on microfinance were held in Bangladesh, Indonesia and Pakistan. Bangladesh also printed commemorative stamps, distributed calendars and diaries with the Year's slogan and organized a rally as well as theatrical performances. In Australia, a pre-stamped envelope and a bookmark with the Year logo were created, and several events were organized to improve awareness among youth and university students. China's National Committee produced several publications, including a booklet of personal stories from microfinance clients. Mongolia's National Committee planned a travelling caravan to promote microfinance in rural areas. The Philippines issued a 20-peso banknote with the Year's logo and used a jingle to promote the Year.

Building commitment

25. Several countries reviewed the regulatory framework covering microfinance institutions to ensure more transparency, accountability and growth of the sector. Bangladesh developed operational guidelines for monitoring, reporting and measuring performance as well as auditing and governance standards. An

independent regulatory agency will be set up when the Parliament enacts the necessary legislation. In the Philippines, a uniform set of performance standards for all microfinance institutions was developed and the Philippine Declaration on Microfinance was adopted as an action plan for the future growth of microfinance in the country. In Uzbekistan, the President signed two decrees promoting microfinance sector development. The central bank in Nepal made a commitment to establish a second-tier institution for effective supervision, monitoring and promotion of microfinance institutions. The country's National Committee is reviewing legislation to allow microfinance institutions to grow and provide sustainable microfinance services.

26. The National Committee in Azerbaijan analysed problems in microfinance and related legislation. In Mongolia, the National Committee worked on laws that impact microfinance, including those on tax and finance as well as on selling and trading forms of mortgage. The National Committee of the Islamic Republic of Iran promoted incorporation of microcredit into national development programmes. Turkey's National Committee worked with the Government to help establish legal, fiscal, and regulatory systems conducive for microfinance as well as with the private sector to create commercial opportunities which strengthen economies through investment in local communities. In Australia, members of the National Committee had been involved in the preparation of recommendations on microfinance for a white paper on the future of Australia's overseas aid programme.

27. An apex body was established in Bangladesh to provide both financial and technical assistance to microfinance institutions. The Central Bank of Nepal established a National Microfinance Fund and took steps to convert an existing fund into a wholesale lending institution in order to improve access to finance by microfinance institutions. Mongolia assisted local microfinance institutions in becoming part of national and international networks and established an Investment and Development Fund for enterprises that had difficulties in accessing funds. Measures to promote microcredit had also been undertaken within the framework of the "Enterprise Mongolia" project, developed by the Ministry of Industry and Trade in cooperation with UNDP.

28. Bhutan launched the first savings programme for people in rural areas with limited or non-existing access to banking services. A number of programmes and funds to support poverty reduction and entrepreneurship have been initiated in Thailand. As of 2005, some 304 microenterprises in Brunei Darussalam had benefited from the country's Microcredit Financing Scheme. The State of Kuwait demonstrated its commitment to small businesses through the establishment of the National Investment Fund and the Kuwaiti Company for the Development of Small Ventures. The Government of Lebanon has included microcredit in its economic policies as a tool for assisting underprivileged groups.

D. Europe

Filling information gaps

29. The International Association of Social and Credit Unions acted as a focal point for promoting the activities in observation of the Year in Spain. To fill information gaps, the focal point organized a national microfinance meeting to share experiences and to identify challenges and solutions in addition to planning a

European convention on microcredit. In Spain and Moldova, detailed microfinance reference manuals were published for professionals involved in microfinance. The National Committee of Bulgaria held a number of round tables and conferences to identify obstacles to the effective functioning of the microfinance sector in the country. An outcome document was published that summarized the lessons learned, and provided recommendations for the future regulation and functioning of the microfinance sector.

30. In France, Germany, Moldova, Poland, and the United Kingdom of Great Britain and Northern Ireland, the National Committees and Governments organized a number of conferences and round tables to explore ways to make microfinance more accessible and to maximize the potential benefits for clients. Bosnia and Herzegovina held round tables to assess the need for new laws on microlending, while Poland undertook a survey of the accessibility of financial services to poor people and microenterprises.

Raising public awareness

31. The National Committee of Luxembourg and the Netherlands Platform for Microfinance launched a number of public awareness initiatives that emphasized raising awareness of microcredit in the financial sector, particularly among commercial banks. Those events were well attended by Government representatives, the international finance institutions, professionals in the financial sector, and members of civil society. The National Committee of France, with the cooperation of the French Government, civil society, Kreditanstalt für Wiederaufbau of Germany and the Department for International Development of the United Kingdom, organized an international conference in Paris on increasing access to microcredit. More than 600 individuals, representing Governments, central banks, microfinance institutions, civil society, professionals and students, were in attendance.

32. In Belgium, Bulgaria, France, Germany, Italy, Luxembourg and the Netherlands, activities such as the production of articles and publications on microfinance and the development of websites on microfinance were used to promote public outreach. In Germany, documentaries on microfinance were produced for broadcast on television. In Italy, Moldova and Poland, public awareness campaigns documented and celebrated the achievements of microentrepreneurs, and fairs and exhibitions supporting small business were also held in support of the Year. In France, a Week of Microcredit was organized by the National Committee and, during that week, forums were organized with public information booths to assist potential entrepreneurs. Those events were shown on national television, mentioned on radio spots, and displayed on posters.

33. To highlight the growing role of commercial banks in microfinance events were organized at the national stock exchanges of Italy, the Netherland and Poland to celebrate the Year. Several female entrepreneurs from Cambodia were invited to participate in the event held in the Amsterdam Stock Exchange. In Rome, the event at the national stock exchange was organized by the International Fund for Agricultural Development (IFAD) in partnership with the National Committee of Italy.

Building commitment

34. The Principality of Monaco, the National Committee of Belgium and the United Kingdom, through the Department for International Development, worked to promote access to financial services for people suffering from financial exclusion in developing countries. Conferences and events with a focus on developing partnerships and expanding access to microfinance were organized in support of the Year. The National Committees of Italy and Latvia demonstrated their commitment to promoting microfinance by engaging the financial sector and working to make financial services more inclusive. A series of round-table discussions was organized in Italy to familiarize banking institutions with microfinance and discuss the microfinance sector in Italian society and the region. The Mortgage and Land Bank of Latvia established a new unit, ALTUM, for the administration of microcredit support programmes.

35. The National Committee of Hungary and the Government of Ukraine placed special emphasis on the development of small enterprises in their plans of action to celebrate the Year. Strategies were developed to improve the legal framework for microfinance institutions, and plans were launched to fund, train and provide technical assistance to develop entrepreneurship. The focal point for Bosnia and Herzegovina organized several events engaging stakeholders on all levels to assess the legislative environment affecting microfinance. A round table on the "Establishment of Adequate Legal Framework for the Functioning of Microfinance Sector in Bosnia and Herzegovina" was held in Sarajevo, in addition to other meetings organized with local ministries to appraise the legal framework for microfinance. The Government of Georgia took steps to develop the legislative basis for the microfinance sector by establishing definitions for microcredit and microfinance and preparing a draft law on microfinance organizations. Belarus also undertook measures aimed at further improving the legislation pertaining to microfinance and for enhancing access to credit and information. The provision of credit to small and medium enterprises in Belarus is implemented jointly with the European Bank for Reconstruction and Development, and in 2005 a new, faster method was introduced to approve loans of less than $3,000.

E. Latin America and the Caribbean

Filling information gaps

36. Countries in the region attempted to fill information gaps by conducting research and compiling databases on microfinance. The National Committee of Argentina conducted research on past and current trends of the microfinance sector and produced indicators of its socio-economic impact. Chile investigated access to microfinance in the country and the infrastructural obstacles preventing it. It also developed recommendations to improve microfinance. Jamaica held a series of four regional consultations on information technology, tourism, agriculture and manufacturing as well as other business opportunities for microfinance and microentrepreneurial development. Bolivia published a book on recent developments in the country's microfinance sector, which discussed financing of risk capital, innovative juridical tools and the development of microlending and microinsurance.

37. Panama created databases of various entities providing credit, including the banking sector, NGOs, and cooperatives. A database prepared in Bolivia contains information on the financial status of microfinance providers in the country. Colombia's National Committee created an inventory of studies that had been conducted between 2003 and 2005, including four publications and more than 20 research studies, to celebrate the Year.

Raising public awareness

38. Most countries in the region organized forums or seminars to commemorate the Year and raise awareness about microfinance. In October 2005, Bolivia hosted the VIII Inter-American Microenterprise Forum on the theme entitled "Expanding the Microfinance Frontier in Latin America". The Inter-American Development Bank, which organized the event, reviewed the achievements of the Year. El Salvador organized two forums: one on the productive use of remittances and a second to identify successful methodologies to facilitate microfinance, as well as two fairs intended to create links between microfinance institutions and microentrepreneurs in poor regions. Several conferences and seminars took place in different parts of Ecuador to discuss microfinance as a mechanism to create comprehensive and sustainable financial sectors and to identify strategies to integrate innovative microfinance products. Argentina's National Committee held two workshops on the sustainability and regulatory framework of microfinance in the country. In Jamaica, the National Committee issued a concept paper and organized a panel discussion on microfinance as a tool for disaster reduction as part of the celebrations for the International Day for Disaster Reduction. Colombia's National Committee organized various large regional events and seminars as well as a series of workshops to provide recommendations on improving national policies directed at supporting microenterprises. In Mexico, the high-level Forum on Microfinance and Development and the fourth National Meeting on Microfinance, which focused on the quality of credit were both attended by the country's President.

39. Chile, Colombia, Panama and Trinidad and Tobago promoted the Year in their national media or issued press releases. Argentina, El Salvador and Nicaragua prepared information bulletins and distributed them to institutions, trade unions and entrepreneurs. Colombia and Panama created websites to promote microfinance and the Year. Others, such as Argentina, produced posters. Colombia's National Committee developed a television programme and is establishing a microfinance post-graduate programme together with a Colombian university. Nicaragua printed stamps commemorating the Year and its National Committee hosted a number of awards ceremonies including the Nicaraguan Journalist Award on Microfinance Research and the Microfinance Investigation Award, directed at university students.

Building commitment

40. Ecuador and Guatemala are building commitment towards the microfinance sector by reviewing the regulatory and legal framework for microfinance services. In Jamaica, consultations were held between the Minister of Finance and Planning, the Patron of the Year, and members of the financial sector to discuss the policy and regulatory framework and issues surrounding the building of an inclusive financial system.

41. El Salvador developed the programme "Your Credit", which aims to support those living in the poorest areas of the country by providing a total of $8.6 million in microloans. In addition, a permanent committee for microfinance sector development was established. In Trinidad and Tobago, the Cabinet agreed to the provision of $1.15 million within the Public Sector Investment Programme to celebrate the Year. Its National Committee is developing a school-based programme to sensitize secondary school students to microcredit and entrepreneurship. The Mexican National Committee facilitated the launch of 10 microfinance institutions, while the National Financial Corporation of Ecuador is providing technical assistance and capacity-building to financial entities and cooperatives.

F. North America

Filling information gaps

42. The National Committee of the United States of America sponsored a number of events, including a learning conference to share knowledge of best practices around the world in the microcredit field. Another Microfinance Conference was held in Washington, D.C. for professionals and students from the public and private sector. The Canadian National Committee also organized an international panel conference in Ottawa.

Raising public awareness

43. In Canada, many activities were undertaken to celebrate the Year. High-profile events were held throughout the country to commemorate National Microfinance Day on 20 October 2005. A microcredit toolkit launch was held in Vancouver, and an Oikocredit Sunday in Canadian churches was promoted nationwide. Conferences were held in colleges and universities to raise awareness and create a dialogue between youth, academics, microentrepreneurs, NGOs and the private sector about microfinance. The National Committee of the United States supported numerous seminars, exchanges and awareness-building events on microfinance with diverse groups of stakeholders around the world.

Building commitment

44. The United States National Committee members provided support for partnerships among Governments, the private sector and NGOs to increase economic opportunities for the poor. The United States Agency for International Development (USAID) assisted national Governments in developing the tools necessary to improve the policy environment for microfinance. The National Committee, along with representatives from the State Department, USAID, and the Treasury Department, worked together to support a new microfinance initiative of the Group of Eight to strengthen the policy environment and increase opportunities in the broader Middle East and North Africa region. The Canadian Social Investment Organization worked to build bridges between Canadian and other international organizations to enrich the dialogue on microfinance.

IV. Activities at the international level

A. Global communication and promotional activities

45. Working closely with the Department of Public Information, the Coordinating Committee created a memorable logo and the tagline "Building inclusive financial sectors", which were used to promote the Year. The official website[5] that was established in collaboration with the private sector and other partners provided extensive information on all aspects of the Year, resources and a variety of interactive tools. The website logged nearly 25,000 visitors on average per month from more than 144 countries.

46. A highlight of the Year's media outreach efforts was the publication of a survey on microfinance in the November 2005 issue of *The Economist*. In addition, an independent documentary film entitled *Microfinance: In Their Own Voices* presented the personal stories of microfinance clients and the positive impact that very small loans can have on poor people's lives.

47. "Microfinance Matters", a monthly web publication from UNCDF to communicate with member States, the National Committees, United Nations system agencies and microfinance partners was launched in January 2004 and had nearly 8,000 direct subscribers by the end of 2005. By inviting reader opinions, the newsletter served as a platform for discussion and debate and included interviews with key figures in the field of microfinance, inputs from regional experts, profiles of microfinance clients and guest editorials from influential international figures.

48. Another international initiative of the Year was the Microentrepreneur Marketplace to convey the importance of microentrepreneurs to the public. A collection of 25 products from Bangladesh, Colombia, the former Yugoslav Republic of Macedonia and Rwanda, carrying the logo of the Year, was sold through an "online boutique".[6]

B. The "Blue Book" project

49. As a major activity of the Year, the United Nations brought together a large number of global decision makers and financial sector leaders to address the reasons why most of the world's poor people are denied access to basic financial services. This global consultative process involved Governments, international organizations, financial institutions, the private sector, and civil society from more than 100 countries. Regional consultations were held in Asia, the Middle East, Africa and Latin America, with the help and support of the African Development Bank, the African Microfinance Network, the Asian Development Bank and many other development institutions and microfinance institutions. A web-based questionnaire and an e-conference were also developed to invite inputs from participants who could not participate in those regional consultations. In May 2005, a Global Meeting was organized with ILO in Geneva, culminating the consultation process.

50. The result of that year-long initiative was the report *Building Inclusive Financial Sectors for Development*,[3] also known as the "Blue Book". It sets forth

[5] www.yearofmicrocredit.org.

[6] www.shopmicro.org.

the results of the global consultations and addresses the challenges to building inclusive financial sectors. It provides a compelling analysis of why the vast majority of people do not yet have access to sound financial services. The report also captures the emerging vision of an inclusive financial sector and suggests a variety of policy tools that national Governments can use to extend the reach of the financial sector in their own national contexts. It emphasizes the importance of establishing a national vision of inclusive finance and that cooperation is required of all relevant stakeholders. Further, it explores important policy, regulatory, and supervisory issues that all policymakers will need to consider.

51. The "Blue Book" provides an invaluable tool and guide for policymakers in developing countries who seek to build inclusive financial sectors. It is also a reference point for Governments to collectively discuss strategies, share best practices and improve processes and is intended to be a companion to national dialogues among relevant stakeholders. Inclusive financial sectors would provide poor people and micro and small enterprises with access to a broad range of financial services. The result of such improved access is expected to be enhanced economic growth and development, the reduction of poverty, and progress towards achieving the Millennium Development Goals.

52. UNCDF and UNDP are moving forward to use the approach outlined in the "Blue Book" to begin building inclusive financial sectors in Africa. The Food and Agriculture Organization of the United Nations (FAO) also plans to promote increased access, gender equity and efficiency of a wide range of financial products and services to the poor in rural areas.

C. The Data project

53. Under the auspices of the Year, the United Nations, the World Bank and the International Monetary Fund (IMF) in partnership with the Department for International Development of the United Kingdom and South Africa's FinMark Trust initiated a working group to address current data gaps and identify access indicators for gathering and evaluating data from existing surveys as well as defining core concepts for future collection efforts.

54. A study was undertaken to test the indicators and survey methodology for accuracy as well as to begin gathering information on access. That survey measured household and institutional access to financial services across 99 countries based on information provided by bank regulatory authorities and compared it to firm and household survey data from the same countries. The results offered a first quantified glimpse into the financial sectors of developing countries and presented information about the correlation between banking sector penetration and levels of firm and household use of, and access to, financial services. The study found that the level of outreach by the financial sector correlated strongly with the level of financial, institutional and infrastructure development across countries, and concluded that greater levels of outreach were tied to higher levels in standard economic development indicators.

55. The World Bank, the Department for International Development and FinMark are currently working towards common approaches in survey work for financial access to the poor, particularly in Africa. Building on that initiative, efforts are under way to carry out a series of survey activities measuring access to financial

services in several countries in West Africa. A larger and more formal effort on data collection and analysis is under consideration.

D. Global Microentrepreneurship Awards

56. The Global Microentrepreneurship Awards was established in 2004 by university students in collaboration with microfinance organizations, the private sector, NGOs and United Nations system agencies. The main goal of the Awards was to raise awareness about microfinance by highlighting the talents and contributions of microentrepreneurs, particularly among those who could benefit from access to finance. Almost 3,700 nominations of microentrepreneurs from 425 microfinance institutions were received, and the Awards were extensively covered in the world media. The selection criteria for the Awards included innovation, social impact of the microentrepreneur, quality of life improvement, creation of new employment opportunities, and use of technology. Nine microentrepreneurs from Afghanistan, Bangladesh, China, India, Liberia, Malawi, Peru, Sierra Leone and South Africa received Awards at a special event in New York.

E. International forums

57. The Year was officially launched at United Nations Headquarters on 18 November 2004, with an opening ceremony, statements from microfinance recipients and high-level round tables. Stock exchanges in 15 countries conducted ceremonies to signal the importance of microfinance, both as an instrument to reduce poverty on a sustainable basis and as an investment opportunity for the financial sector. The closing event of the Year, the International Forum to Build Inclusive Financial Sectors, was held from 7 to 9 November 2005, and brought together more than 700 representatives from 90 countries. The three-day event included nine panels that generated debate on diverse topics such as the potential role of microfinance in post-disaster countries, the role of the private sector, the impact of technology on microfinance, the commercialization of microfinance and Africa's unique microfinance sector. Through these panels involving multinational and domestic financial institutions, participants deliberated on concrete steps to increase access to financial services for people whose demands are currently unmet.

58. The Forum concluded with a seminar on regulation and supervision, which was hosted by the Federal Reserve Bank of New York and co-sponsored by the New York State Banking Department and UNCDF. Discussions focused on how to balance supervision and regulation with innovation and flexibility in order to promote the growth of microfinance.

F. United Nations system

59. Several United Nations funds and programmes, regional commissions and specialized agencies were actively involved in the observation of the Year, and undertook a variety of activities including the introduction of microfinance into project activities, the organization of workshops and conferences, and the preparation of reports and papers. FAO found that promoting micro- and rural finance in its project development led to better understanding of issues and the

initiation of other similar activities. It also supported activities to design effective disaster-related microfinance strategies with special emphasis on the rehabilitation of fisheries and aquaculture in tsunami-affected countries. The World Food Programme (WFP) reported that some of its projects and programmes include an element of microcredit undertaken in partnership with Governments, other United Nations system agencies and civil society organizations.

60. UNDP and the Economic Commission for Africa (ECA) African Centre for Gender and Development initiated and supported the Enterprise Development Facility in East and West Africa that assists women entrepreneurs to identify microcredit opportunities, build partnerships with other associations and share business expertise. In partnership with the Consultative Group to Assist the Poor (CGAP), IFAD funded and promoted the Rural Pro-Poor Innovation Challenge, a facility that funds microfinance institutions with innovative approaches to providing financial services in rural areas.

61. A number of United Nations system agencies organized workshops and meetings during the Year. FAO organized three major regional workshops in the Middle East and North Africa, Africa and Asia that provided opportunities to share innovations and experiences and to form partnerships between rural financial institutions, agricultural banks and microfinance organizations. IFAD hosted a seminar in Washington, D.C., to discuss non-profit and for-profit partnerships in microfinance. The ECA Office for North Africa, in collaboration with the United Nations Industrial Development Organization (UNIDO), the United Nations Population Fund (UNFPA) and UNDP country offices, organized a workshop on "Women: Source of Wealth and Job Opportunities" in Morocco. The meeting identified traditional knowledge, social services and information and communication technologies as key areas where women's potential and capacities should be strengthened by microfinance institutions. The Economic and Social Commission for Asia and the Pacific (ESCAP) and the Department of Economic and Social Affairs organized a round table on poverty and microfinance in Bangkok which examined the need to build inclusive financial sectors for poverty eradication. The World Bank, through CGAP, co-organized various high-level strategic conferences in Europe and South Asia.

62. Many organizations conducted research and prepared specific reports on microfinance or integrated the topic into their recurrent publications. CGAP undertook a number of research projects on critical issues affecting financial services for the poor, such as the impact of interest rate ceilings, the role of foreign investment, the supply and demand of funds, the poverty level of savers, and competition and efficiency. CGAP continues to disseminate new findings, data and lessons learned from these research initiatives. IFAD initiated field-based research on best practices in financial service associations in Africa and effective performance monitoring methodologies among self-help groups in India. Its research initiative on microfinance and natural resource management focuses on interactions between the promotion of financial services and the sustainable management of natural resources. IFAD developed a series of seven rural finance publications for both internal and external stakeholders. Those publications address critical issues in contemporary development finance, including the effective governance of institutions and the specific considerations of agricultural finance, as well as topics such as remittances and social performance assessments.

63. FAO studied and documented the emerging trends and innovations of linkages between the formal financial sector and rural and microfinance organizations. It also produced publications on "Microfinance and forest-based, small-scale enterprises", "Insurance Innovations", and "Microfinance, Gender and HIV/AIDS" as well as a number of policy briefs on microfinance in relation to fishery households, crop insurance, term finance and policy design. FAO also developed a set of training modules on financial services for rural microentrepreneurs which was used for training and turned into online resources for the wider public. IMF considered its role in deepening the financial sector and extending its reach through microfinance, and produced two papers on the subject in its working paper series. UNIDO used the Year to share new uses of microfinance schemes and published a working paper exploring synergies between its Cluster Development Programme and microfinance.[7]

64. ESCAP issued a paper on building inclusive financial sectors,[8] and highlighted the opportunities for and challenges of using microfinance as a tool for poverty reduction in the *Economic and Social Survey of Asia and the Pacific 2005*.[9] The ECA flagship publication, the Economic Report on Africa 2005: *Meeting the Challenges of Unemployment and Poverty in Africa*,[10] addressed the issue of preparing the financial sector for small-scale lending. It recommends the establishment of credit registries to reduce the problem of asymmetric information and thus facilitate the access of small and medium enterprises to credit. The *Information Economy Report 2005* of the United Nations Conference on Trade and Development (UNCTAD)[11] highlights the importance of credit information for enhancing microfinance and examines the potential of e-credit information, trade finance and e-finance in overcoming information asymmetries that can limit access to credit by small and medium enterprises.

65. The Year also encouraged activities in capacity-building and the monitoring of microfinance. In advisory missions, ECA encouraged countries to take up microfinance as a means to reduce poverty. FAO, IFAD, the World Bank and the German Development Agency jointly supported the Rural Finance Learning Centre, an interactive website in four languages dedicated to providing access to the best materials for capacity-building in the field of rural finance for micro- and rural financial institutions, practitioners and policymakers. FAO formulated a series of gender-sensitive indicators for monitoring, evaluation and impact assessment in microfinance. IFAD now requires all its rural finance partners to annually report on eight standard financial and outreach indicators, marking a critical institutional shift from activity-based to performance-based reporting and monitoring.

66. Promotional activities were initiated by several organizations. In addition to a series of radio messages broadcast in three languages in developing countries, FAO was involved in more than a dozen promotional microfinance training seminars and

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[7] United Nations Industrial Development Organization (2005), *Combining Strengths: Synergies between Cluster Development and Microfinance*, Technical Working Paper Series No. 14, Vienna.

[8] Economic and Social Commission for Asia and the Pacific (2006), *Microfinance for Poverty Reduction: Building Inclusive Financial Sectors in Asia and the Pacific*, Development Paper No. 27, United Nations publication, Sales No. E.06.II.F.37.

[9] ST/ESCAP/2349, United Nations publication, Sales No. E.05.II.F.10.

[10] United Nations publication, Sales No. 05.II.K.9.

[11] (UNCTAD/SDTE/ECB/2005/1), United Nations Sales publication, No. E.05.II.D.19.

events in numerous countries. Microfinance featured in the FAO message for the International Day of Cooperatives and it was also the theme of the FAO International Women's Day event promoting gender-sensitive entrepreneurship via microfinance institutions. Every e-mail sent from IFAD in 2005 contained a message about the importance and potential of microfinance. The World Bank contributed to raising awareness on microfinance through CGAP which, with its 33 member donors, developed and endorsed key principles of microfinance which were disseminated widely. To raise donor awareness of good practice and improve the effectiveness of donor operations in microfinance, CGAP developed donor guidelines which translate lessons learned from 30 years of support to the sector into practical, operational guidance.

67. Several organizations have advocated for an integrated approach to microfinance. UNFPA partnered with the Microcredit Summit Campaign to implement a strategy that combines microfinance and reproductive health education. The two organizations, with support from the United Nations Foundation and Johnson & Johnson, conducted training for more than 160 institutions in Africa and Asia. As a result, 46 institutions have begun integrating health education services with their existing microfinance programmes. The United Nations Educational, Scientific and Cultural Organization emphasized the importance of combining microfinance with the provision of social services to empower poor people with the tools and skills for improving their quality of life. It also examined ways of integrating basic education and the appropriate use of science, technology, communication and information, and microfinance to optimize the output of financial services and achieve sustainable results.

68. Other agencies indirectly contributed towards the goals of the Year by promoting an enabling environment for microfinance. The United Nations Children's Fund (UNICEF), for example, promoted the rights, autonomy and education of children, and girls in particular. In providing education and care for children, mothers and other caretakers not only have the opportunity to engage in gainful employment, but the prerequisites are set for these children to acquire the skills needed to succeed as microentrepreneurs in later life. In addition, throughout the years UNICEF supported local projects in various countries, which have bolstered access to basic social services for the families of women receiving microcredit.

V. Conclusions and recommendations

69. The International Year of Microcredit, 2005 was a remarkable success and substantially contributed to increasing global awareness about microcredit and microfinance as important tools in the fight against poverty and towards achieving the Millennium Development Goals. It served as a platform for building partnerships between Governments, organizations of the United Nations system, microfinance institutions, the private sector and other actors. It also provided an effective forum for the sharing of experiences and good practices to build more inclusive financial sectors that will improve the access by poor people to financial services.

70. Major activities carried out during the International Year, in particular the "Blue Book" and the Data project, had an important impact on further promoting the

commitment to develop inclusive financial sectors in which all people have access to affordable financial services. In addition, the Global Microentrepreneurship Awards served to celebrate and reward microentrepreneurs around the world and contributed to promoting entrepreneurial culture, establishing strong partnerships, and increasing the visibility of microentrepreneurs.

71. The momentum created by the Year has underscored the potential role of microcredit and microfinance as tools for poverty eradication, and provided new impetus for putting best practices into action and enhancing the efforts of building inclusive financial sectors to meet the needs and demands of poor people everywhere. An important outcome of the International Year has been the establishment of the United Nations Advisers Group on Inclusive Financial Sectors. The Advisers Group has been established for a two-year term and will provide advice and guidance to the United Nations and will seek ways to make a broad variety of financial services accessible for the poor and for small enterprises across the globe.

72. **In light of the success of the International Year of Microcredit and the momentum it has generated, the General Assembly may wish to consider the following recommendations:**

(a) **Urge Member States, the United Nations system and all stakeholders to fully exploit the role of microcredit and microfinance as tools for poverty eradication, building on the partnerships developed during the International Year, and to ensure that best practices in the microfinance sector are widely disseminated and implemented;**

(b) **Recognize that the majority of the world's poor still does not have access to financial services, and in this regard, welcomes the convening of the United Nations Advisers Group on Inclusive Financial Sectors to promote the building of inclusive financial sectors to meet the needs and demands of poor people everywhere, building on the success of the "Blue Book", *Building Inclusive Financial Sectors for Development*, as a tool and a guide for policymakers seeking to build more inclusive financial sectors.**